Comprehensive Annual Financial Report

Massachusetts Port Authority

Year Ended
June 30, 2001

Prepared by: Massport's Administration and Finance Department
East Boston, Massachusetts

massport

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Authority Board Members

The Massport Board consists of seven members appointed by
the Governor of Massachusetts to staggered terms of seven years each.
Members serve without compensation.

Mark E. Robinson Chairman
James M. Coull Vice Chairman
George W. Cashman
Lois J. Catanzaro
John Cogliano, Jr.
Lucy A. Flynn
John F. Monahan, Jr.

Executive Staff

Thomas J. Kinton, Jr. Acting Executive Director/Director of Aviation
Russell D. Aims Deputy Executive Director
Leslie A. Kirwan Director of Administration and Finance/Secretary-Treasurer

Kathleen Conlin Director of Human Resources
Joey Cuzzi Director of External Affairs
Christopher Gordon Director/Capital Programs/Logan Modernization
Michael Leone Port Director
Robin McCullum-Diaz Director of Compliance
David Mackey Chief Legal Counsel
Mary Jane O'Meara Bridge Director
Lowell L. Richards III Chief Development Officer
Gail Titus Director of Internal Audit

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November 19, 2001

To the Members of the Massachusetts Port Authority

I am pleased to submit the Comprehensive Annual Financial Report ("CAFR") of the Massachusetts Port Authority (the "Authority") for the Fiscal Year ended June 30, 2001. This report was prepared by the Authority's Administration and Finance Department. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority. To the best of our knowledge and belief, this report fairly presents and discloses the Authority's financial position, results of operations, and cash flows as of June 30, 2001 in accordance with the requirements of generally accepted accounting principles. Additional information intended to enable the reader to gain an understanding of the Authority's financial activities has been included within the CAFR.

This CAFR for Fiscal Year 2001 has been prepared during an unprecedented period of uncertainty, especially for the aviation industry. On September 11, 2001, American Airlines Flight 11 and United Airlines Flight 175, both originating from Logan Airport, were hijacked by terrorists. The aircraft were flown into the World Trade Center in New York City, which was then destroyed. There was a significant loss of life and property resulting from these acts. Subsequently, all air traffic in the United States was temporarily suspended, Logan Airport was closed for four days, and under FAA mandates applicable to all airports, new security measures were taken, which required the closing of certain parking facilities at Logan Airport and increasing the amount of security and law enforcement personnel.

To address the financial impacts from the September 11 events, the Authority has adopted and is implementing a Financial Recovery Plan which reduces spending to within new forecasted revenue levels as well as increases certain revenues. This Financial Recovery Plan includes a wide range of actions: programmatic and organizational changes, personnel reductions expected to be comparable to those already implemented by the Airport's private sector employers, service level cutbacks, and some revenue increases. For further discussion of the Authority's Financial Recovery Plan, see page 6.

This report was prepared following the guidelines recommended by the Government Finance Officers Association of the United States and Canada ("GFOA"). The GFOA awards Certificates of Achievement to state and local governments whose annual financial reports are judged to conform substantially with the high standards of public financial reporting, including generally accepted accounting principles promulgated by the Governmental Accounting Standards Board ("GASB"). The CAFR is presented in three sections. The Introductory Section, which is unaudited, contains this letter of transmittal, a narrative providing background with respect to the Authority and an organization chart of the Authority. The Financial Section consists of the Report of Independent Accountants and the Authority's Financial Statements and the Notes to the Financial Statements. The Statistical Section includes selected financial and operational information, generally presented on a multi-year basis.

THE AUTHORITY

The Authority was created by Chapter 465 of the Massachusetts Acts of 1956 (as amended to date, the "Enabling Act") and is a body politic and corporate and a public instrumentality of The Commonwealth of Massachusetts (the "Commonwealth"). The Enabling Act and the Trust Agreement dated as of August 1, 1978, as amended (as so amended, the "1978 Trust Agreement") between the Authority and State Street Bank and Trust Company, as trustee, and the PFC Revenue Bond Trust Agreement, dated as of May 6, 1999, as amended (as so amended, the "PFC Trust Agreement") between the Authority and The Bank of New York, as trustee, govern the disposition of cash revenues to the various funds established under the 1978 Trust Agreement and the PFC Trust Agreement, and restrict the use of revenues credited to such funds.

The Enabling Act provides that the Authority shall consist of seven Members appointed by the Governor of the Commonwealth. Members are appointed for seven-year terms, with the term of one Member expiring on June 30 of each year. The Chairman of the Authority is appointed by the Governor of the Commonwealth. The management of the Authority and its operations are carried out by a staff headed by the Executive Director, who is appointed by and reports directly to the Members of the Authority. Under the Enabling Act, the Authority has general power, among other things, (i) to issue revenue bonds and to borrow money in anticipation thereof; (ii) to fix, revise and collect tolls and charges for its projects; and (iii) to maintain, repair and operate and to extend, enlarge and improve its projects. The Authority has the power to acquire property by purchase or through the exercise of the right of eminent domain in certain circumstances. The Authority has no taxing power. The Authority has no stockholders or equity holders and the Authority's financial statements are not a component of the Commonwealth's financial statements. On October 25, 2001, the Authority's Executive Director, Virginia Buckingham, resigned. Thomas J. Kinton, Jr. is now the Acting Executive Director/Director of Aviation of the Authority.

The Authority's facilities include airport properties, consisting of Boston-Logan International Airport (the "Airport" or "Logan Airport") and Laurence G. Hanscom Field ("Hanscom Field"); the Tobin Memorial Bridge (the "Bridge"); and various port properties (the "Port"), located in Charlestown, South Boston, and East Boston. On January 15, 2000, the Authority also assumed operating responsibility for the Worcester Regional Airport pursuant to an operating agreement (the "Worcester OA") between the Authority and the City of Worcester, Massachusetts and the Worcester Airport Commission.

Airport Properties

Logan Airport. The Airport is the principal source of the Authority's revenues, net revenues, and net income, and is the dominant factor in the determination of the Authority's financial condition. In Fiscal Year 2001, the Logan Airport accounted for 77.5 % of the Authority's revenues. In calendar year 2000, based upon total passenger volume, Logan Airport was the most active in New England, the 18th most active in the United States, and the 30th most active in the world, according to the Airports Council International ("ACI"). The Airport has been classified as a large traffic hub by the Federal Aviation Administration ("FAA"). Airports are classified as large hubs if they enplane over 1% of the total passengers enplaned by domestic airlines in the United States. Enplaned plus deplaned passengers at the Airport for the Fiscal Year 2001 totaled approximately 27.2 million, excluding general aviation.

Airline Passenger Services. As of June 30, 2001, airline service at Logan Airport, both scheduled and non-scheduled, was provided by 60 Airlines, including 8 U.S. major air carrier airlines, 16 non-U.S. flag carriers, and 8 regional and commuter airlines. The six carriers with the highest market shares – Delta Air Lines (including Delta Express and Delta Shuttle), US Airways (including US Airways Shuttle), American Airlines (including TWA), United Air Lines, Continental Airlines, and Northwest Airlines –

carried approximately 73% of all passengers traveling through the Airport during Fiscal Year 2001. The largest market share for Fiscal Year 2001 was held by Delta, with approximately 19% of all passengers traveling through the Airport.

Cargo Airline Services. Logan Airport also plays an important role as a center for processing domestic and international air cargo. According to ACI, in calendar year 2000 the Airport ranked 17th in the nation in total air cargo volume. As of June 30 2001, Logan Airport was served by 10 all-cargo and small package/express carriers. During Fiscal Year 2001, the companies with the largest shares of enplaned and deplaned cargo at the Airport, based upon cargo tonnage, were Federal Express, American Airlines, United Parcel Service, Emery World Wide, United Air Lines, and Delta Air Lines. In Fiscal Year 2001, total combined cargo and mail volume was approximately 980 million pounds. The total volume of air cargo and mail handled at the Airport decreased in Fiscal Year 2001 by 6.6% compared to Fiscal Year 2000.

Hanscom Field. Hanscom Field is located principally in the town of Bedford, Massachusetts, approximately 15 miles northwest of Boston. The Authority anticipates that Hanscom Field will continue as a General Aviation reliever to Logan Airport, as well as continue to develop as a niche commercial service market for regional aircraft. General aviation operations, including business related activity, charters, and light cargo, as well as flight training and recreational flying, currently represent the vast majority of activity at Hanscom Field. Shuttle America, a regional airline, which commenced commercial service from Hanscom Field in September, 1999, filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code. As part of its reorganization, Shuttle America and US Airways entered into a code-sharing partnership and is operating from Hanscom Field as US Airways Express.

Worcester Regional Airport. On January 12, 2000, the Authority entered into the Worcester OA for five years with the City of Worcester, Massachusetts and the Worcester Airport Commission. The Worcester OA provides that the Authority operate Worcester Regional Airport for the city of Worcester and the Worcester Airport Commission. It is anticipated under the Worcester OA that, within five years of the date of execution of the Worcester OA, the Authority could assume title to Worcester Regional Airport.

Tobin Memorial Bridge

The Tobin Memorial Bridge, which is a part of U.S. Route 1, extends across the Mystic River from the Charlestown section of Boston to the City of Chelsea, and connects Boston’s Central Artery and the Northeast Expressway. The Bridge carries an average of 33,945 in-bound vehicles per day. The Authority collects tolls from in-bound users of the Bridge. The toll for passenger cars is currently $1.00.

Port Properties

The Authority owns, develops, operates, and maintains Port Properties comprising certain waterfront properties transferred to it from the Commonwealth in 1959, as well as additional properties subsequently acquired. The Authority administers these Port Properties through two divisions: the Maritime Department and the Business Development Department.

The Authority, through its Maritime Department, owns, manages, develops, operates, and markets the public cargo and passenger terminals of the Port. Boston is New England’s major port and the only port in the region providing a full range of container handling, cruise ship, bulk, breakbulk, automobile processing, petroleum, and ship repair services. The Authority’s maritime business activities include cargo handling (including containers, bulk materials, and automobiles), serving as a port of call for cruise ships, and leasing property. All container operations are consolidated at Conley Terminal in South

Boston, and an automobile preparation, processing, and distribution facility is located at Moran Terminal in Charlestown. Over the past five years, from Fiscal Year 1997 to Fiscal Year 2001, port activity has increased for containers by 3%, for cruise passengers by 166%, for automobiles by 45%; while port activity for bulk tonnage has decreased by 30%.

The Business Development Department plans, develops, and manages real estate for maritime, industrial, and commercial uses. The Authority believes that in the long term this diversified land use strategy will provide a non-maritime revenue stream to help finance the continuing capital development of the Port's cargo and passenger terminals, reducing the burden on the Authority's other revenue sources.

LOCAL ECONOMY

The Boston area economy is an important factor in the Authority's operations although regional and national economies also play an important role, as passengers and cargo from across the United States and around the world travel to and from Boston via Logan Airport and the Port of Boston. The Commonwealth is home to a number of well-known and respected medical and educational institutions, providing relative stability to its economy. Tourism is also a significant component of the Commonwealth's economy, its third largest industry.

The national and state economies experienced a downturn in Fiscal Year 2001. According to the Bureau of Labor Statistics, the Commonwealth's seasonally adjusted unemployment rate of 3.6% as of June 30, 2001, while below the national seasonally adjusted unemployment rate of 4.5% as of June 30, 2001, was higher than the Commonwealth's seasonally adjusted unemployment rate of the prior year which was 2.7% as of June 30, 2000.

The events of September 11, 2001, however, have had a significant adverse effect on the national, state and local economies. Because of the disaster of September 11, all air traffic in the United States was suspended for two days, and the federal government mandated new security measures at the nation's airports. In September, all major air carriers, with the exception of Southwest Airlines, reduced flights nationally by approximately 20% and announced layoffs of 16% to 20%. At Logan Airport, carriers and other tenants had announced layoffs of a significant portion of their local workforce. The national seasonally adjusted unemployment rate rose to 4.9% in September, 2001, while the Commonwealth's seasonally adjusted unemployment rate rose to 3.9% in September, 2001.

MAJOR INITIATIVES

Capital Program

The Authority's Fiscal Year 2001-2006 Capital Program was approved by the Members of the Authority in July 2001 and represented a comprehensive, coordinated $1.6 billion capital improvement master plan for all Authority facilities. The Capital Program included projects designed to promote safety, efficiency, environmental protection and customer service in fulfilling the Authority's mission of developing a sound transportation infrastructure and promoting regional economic development.

After the events of September 11, 2001, the Authority's Fiscal Year 2001-2006 Capital Plan was reviewed in order to (1) accelerate certain security projects, and (2) defer or cancel certain projects not yet commenced in order to reduce capital expenditures. Staff of the Authority has proposed a two year Capital Program of $470 million capital program for Fiscal Year 2002 and Fiscal Year 2003. The revised capital plan was presented to the Board on October 18, 2001 and is expected to be approved on December 6, 2001. The Capital Plan for Fiscal Year 2004-2006 remains under review.

The Capital Program for Fiscal Year 2002-2003 is expected to include the construction of projects comprising Logan Modernization, significant capital improvements to Logan's Airport's airfield, residential soundproofing in the communities neighboring Logan Airport, enhancements to the Maritime and Business Development Properties and the Bridge, and the maintenance and renewal of Massport's existing facilities.

Airport Improvements

The Authority, as the owner and operator of Logan Airport, is committed to ensuring the safety and security, as well as the efficiency of operations, of the domestic and international passengers, cargo operators, major air carriers and regional airlines that use Logan Airport's facilities. In addition to studying the utility of certain airfield improvements, the Authority is improving and modernizing buildings, roadways, airside facilities, and other facilities to address long-standing problems of terminal layouts, roadway congestion, and insufficient parking facilities. As with prior Massport Capital Programs, each project has been designed as a separate module and has been or is being constructed and financed independently of other projects. Airport modernization projects include extensive environmental mitigation at all levels.

Specific Logan Airport improvements expected to commence during the Capital Program's two-year period include Terminal A Replacement and Central Garage Renovations. Construction of the International Gateway, the two-level terminal roadways, and the moving walkways from Parking Garages to Terminal will also continue or be completed during this period.

In addition, in certain communities neighboring Logan Airport, the Authority will continue its Residential Sound Insulation Program under which the Authority designs and constructs sound insulation treatment for homes and schools which are located within an airport noise affected area approved by the FAA.

The Authority is also planning to undertake improvements at Hanscom Field. These improvements include both landside and airside maintenance and improvement projects designed to repair, replace and rehabilitate Hanscom Field's facilities.

The Capital Program does not include any improvements at Worcester Regional Airport, as any such capital improvements are being funded by the City of Worcester.

Maritime Improvements

The portion of the Capital Program related to the Port reflects a strategic plan developed by the Authority to revitalize the commercial Port of Boston, respond to changes in the global shipping industry, and enhance international trade in New England. The major components of the Port's portion of the Capital Program are the following:

At the Black Falcon Terminal, improved fire protection features will be added to Black Falcon Drive, and the ship fendering system will be replaced. At Conley Terminal, concrete runways will be installed to support the rubber tired gantry cranes that lift and reposition the containers, major repairs will be made to Berth 11, and a new gate and yard automation system will be implemented.

Bridge Improvements

The Bridge's portion of the Capital Program is intended to address operating efficiencies as well as deterioration resulting from heavy traffic, weather, and its proximity to salt water. The major components

of the Capital Program relating to the Bridge include concrete deck and structural steel renovations, structural steel painting and construction of a new maintenance facility.

Long Term Financial Planning

The Authority's prior planning exercises and its comprehensive financial plans have aided the Authority in responding to the changes in the aviation industry that have arisen since September 11, 2001. While safety and security have always been of great importance to the Authority, projects relating to safety and security are now the Authority's first priority. In addition, projects underway will be completed, and certain crucial new projects will be commenced in Fiscal Year 2002-2003. These priorities have aided staff in selecting which projects to accelerate and which projects to postpone in light of the impact of the events of September 11 on the Authority. The revision of the Capital Plan for Fiscal Year 2004-2006 has been postponed until next summer or fall when the demands on Massport's facilities and the Authority's financial position are expected to be more predictable.

Financial Recovery Plan

Major initiatives for the Authority for the remainder of Fiscal Year 2002 focus on responding to the impacts from the disastrous events of September 11, 2001, which have had a significant impact on the Authority's finances. Air carrier service is currently being reinstated at reduced levels, and both enplanements at the Airport and net income will, for some indeterminate period, be reduced. As of this date, the Authority cannot accurately predict the duration of such reduction in air carrier service or the level of the impact on (i) net revenues of the Authority or (ii) the financial condition of the Authority or any of the airlines using the Airport, but the impact could be material. In light of these circumstances, the Authority has commenced actions to manage both its revenues and expenses in order to meet its financial obligations. The Authority has adopted a fiscal recovery plan which amends the Authority's operating budget for the remainder of Fiscal Year 2002 to bring operating revenues and expenses into balance, based upon a projection of 70% of previously projected air passengers and 65% of previously projected parking revenues. However, there can be no assurance that these projected levels of revenues will be achieved. In addition, as described above the Authority is revising its capital budget for Fiscal Years 2001-2006, and the Authority expects that some projects previously approved will be deferred or cancelled. The Authority cannot predict the likelihood of future incidents similar to those described herein, the likelihood of future air transportation disruptions, or the impact on the Authority therefrom.

Prior to September 11, 2001, revenues from parking, rental car fees and concessions were below budgeted levels. In the two months following the September 11 disaster, the reduction in flights and passengers at Logan Airport has led to a significant reduction in aircraft landed weights, landing fees, rental car revenues, in-terminal concessions and parking revenues. The FAA banned passenger parking within 300 feet of the terminals, effectively closing the Terminal B garage, which represents 25% of the Airport's parking spaces and which was budgeted to generate $18 million of revenues in Fiscal Year 2002. As interest rates have fallen, interest income has also declined from the Fiscal Year 2002 budgeted level of $15.7 million.

Because of restrictions in the Authority's Enabling Act and Trust Agreements, the Authority can only borrow funds for capital construction and cannot sell revenue anticipation notes, as can most cities or towns. In addition, the Authority has no capacity to borrow for operating expenses or working capital, as can most businesses.

To address the financial impacts from the September 11 events, the Authority has adopted and is implementing a Financial Recovery Plan which reduces spending to within new forecasted revenue levels

as well as increases certain revenues. This Financial Recovery Plan includes a wide range of actions: programmatic and organizational changes, personnel reductions expected to be comparable to those already implemented by the Airport's private sector employers, service level cutbacks, and some revenue increases.

In addition, while the Authority is taking steps to reduce its operating expenses in light of the aftermath of September 11, 2001, it should be noted that all of the Authority's general revenue bonds and PFC bonds are secured by fully funded debt service reserve funds funded in accordance with the requirements of the 1978 Trust Agreement and the PFC Trust Agreement, respectively. In addition to funds held in these reserve funds, there was $153.6 million in the Improvement and Extension Fund available (as of October 30, 2001), if need be, to support the approximately $73 million in annual debt service on the Authority's general revenue bonds. Furthermore, in addition to the debt service reserve fund securing the PFC bonds, there was $43 million in the PFC Capital Fund (as of October 30, 2001) to support the roughly $19 million in annual debt service on the PFC bonds.

By adjusting to the changed circumstances quickly, the Authority expects to preserve its financial stability, meet its financial covenants, continue operations and pay its financial obligations, and adjust to a revised steady state of operations that will likely continue below previous forecasts.

Security Initiatives

The Authority is embarking on a comprehensive assessment of its security needs in response to the events of September 11 and has already undertaken numerous security initiatives including the following:

- Deploying additional public safety personnel from several law enforcement entities, including the U.S. Marshall's Office, U.S. Customs, the Massachusetts State Police, the Coast Guard and the National Guard.

- Conducting a nation-wide search for a Director of Security which is expected to be completed in December, 2001. Until December, 2001, the Authority's Interim Director of Security will continue to pursue enhancements to Airport security operations.

- Engaging the former Director of Security at Ben Gurion Airport in Israel to evaluate and make security recommendations regarding the Airport.

- Hiring a consultant to give Airport employees counter-terrorism training.

- Installing security related improvements at the Airport, including additional closed circuit television cameras and monitors and explosion-proof trash receptacles.

- Augmenting security procedures for FAR Part 91 and unscheduled FAR Part 135 operators.

- Undertaking other actions including re-issuance/recertification of security badges accompanied by additional training and instituting more stringent regulations governing airfield access as well as more severe penalties for violations of security regulations.

The security improvements at the Airport go well beyond FAA directives and are among the most aggressive in the nation. The Authority intends that its facilities, including Logan Airport, will be among the most secure in the country.

FINANCIAL INFORMATION

The financial information included in the Financial Section of this report presents the financial position of the Authority as of, and for the Fiscal Year ended, June 30, 2001. The concept of financial position focuses on existing resources and claims upon those resources.

Accounting System and Budgetary Control

The Authority follows accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental enterprise funds. Accordingly, the Authority's financial statements are prepared on an accrual basis of accounting.

During 2001, the Authority adopted GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions. GASB Statement No. 33 requires that items of contributed capital be recorded as nonoperating revenue in the statement of revenues, expenses and changes in equity.

GASB Statement No. 34 "Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments" will change the external financial reporting practices for the Authority in Fiscal Year 2002 by establishing a new financial reporting model with a narrative introduction that provides an overview and an analysis of the financial statements. The Authority has taken significant steps this Fiscal Year to conform with the new reporting requirements. The financial statements for Fiscal Year 2002 will comply with the requirements of GASB No. 34.

To provide the Authority with reasonable assurance that its financial resources are safeguarded against waste, loss, and misuse, and that reliable accounting and financial data are recorded, maintained, and fairly disclosed in reports, the Authority has developed an internal control structure. The current internal controls provide the Authority with a solid base of reliable financial and accounting records from which financial statements are prepared. The Authority's Internal Audit Department conducts routine as well as special financial and performance audits of various Authority operations to strengthen and supplement this internal control structure, and to ensure that the Authority is operating efficiently and effectively while providing the desired services in an expeditious manner. The concept of reasonable assurance is based on the recognition that the cost of those factors requires estimates and judgment by management.

An annual budget is prepared on the basis established by the 1978 Trust Agreement. The budgets are on a non-GAAP basis. Budgetary control and evaluation are effected by comparing actual interim and annual results with the budget. The Authority compares budget and non-GAAP actual financial statements on a monthly basis and prepares GAAP and budgetary basis financial statements on a quarterly basis and presents the statements to Authority Members. As discussed above, in light of the reduction in revenues after September 11, 2001, the Fiscal Year 2002 annual budget has been revised. The goals of the revised budget include preserving fiscal stability, meeting the Authority's financial covenants and adjusting to an anticipated steady state of operations that will likely continue below previous forecasts.

Single Audit

As the recipient of federal financial assistance, the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs. This internal control is subject to periodic evaluation by management and the internal audit staff of the Authority. The Authority's single audit for the Fiscal Year ended June 30, 2001 noted no matters involving the internal control over the Authority's financial reporting and its operation that were considered to be material weaknesses.

Results of Operations

Operating revenues of the Authority totaled $326.9 million for the Fiscal Year ended June 30, 2001, an increase of $11.1 million or 3.51% over the Fiscal Year ended June 30, 2000. Increases in revenues resulted from increased non-terminal and ground space rents, utilities, landing fees and parking fees.

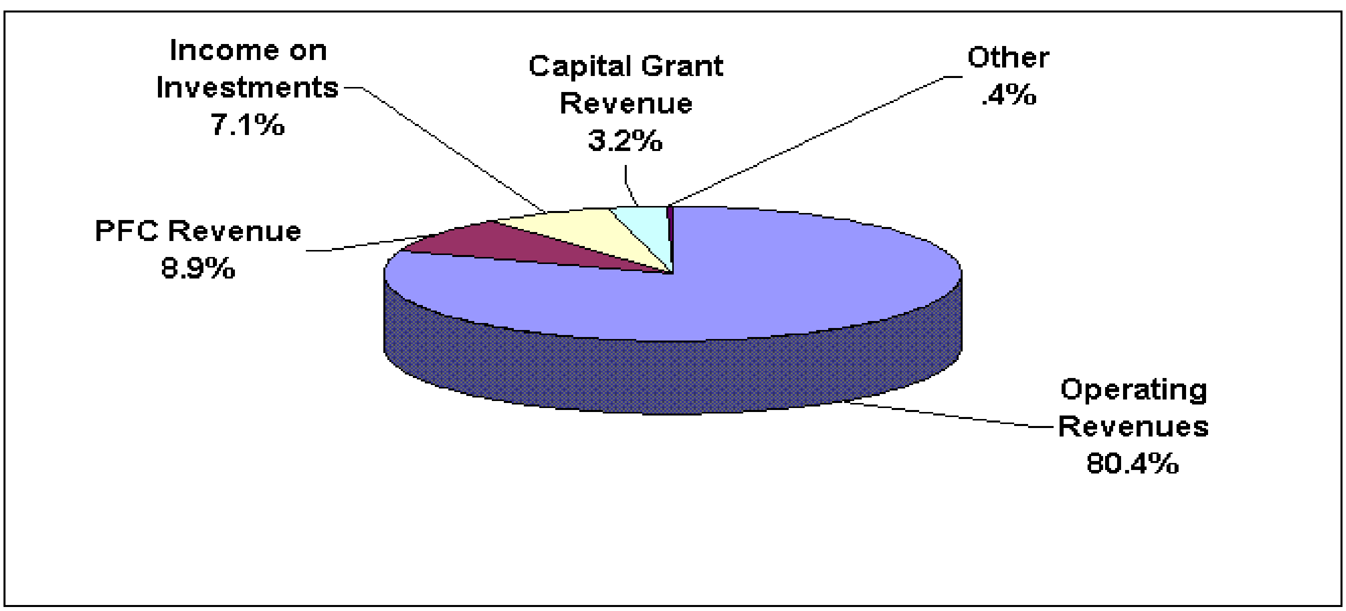
Operating expenses of the Authority totaled $290.5 million for the Fiscal Year ended June 30, 2001, an increase of $11.1 million or 3.96% over the Fiscal Year ended June 30, 2000. Increases in expenses resulted from increased overtime, utilities, materials and supplies due to the harsher than usual weather, and the increased cost of certain compensated absence expenses.

General Operations

FISCAL YEAR ENDED JUNE 30, 2001
REVENUES
(In Thousands)

Operating Revenues	$326,900
PFC Revenues	36,324
Income on Investments	28,982
Capital Grant Revenue	12,851
Other	1,664
Total Revenues	$406,721

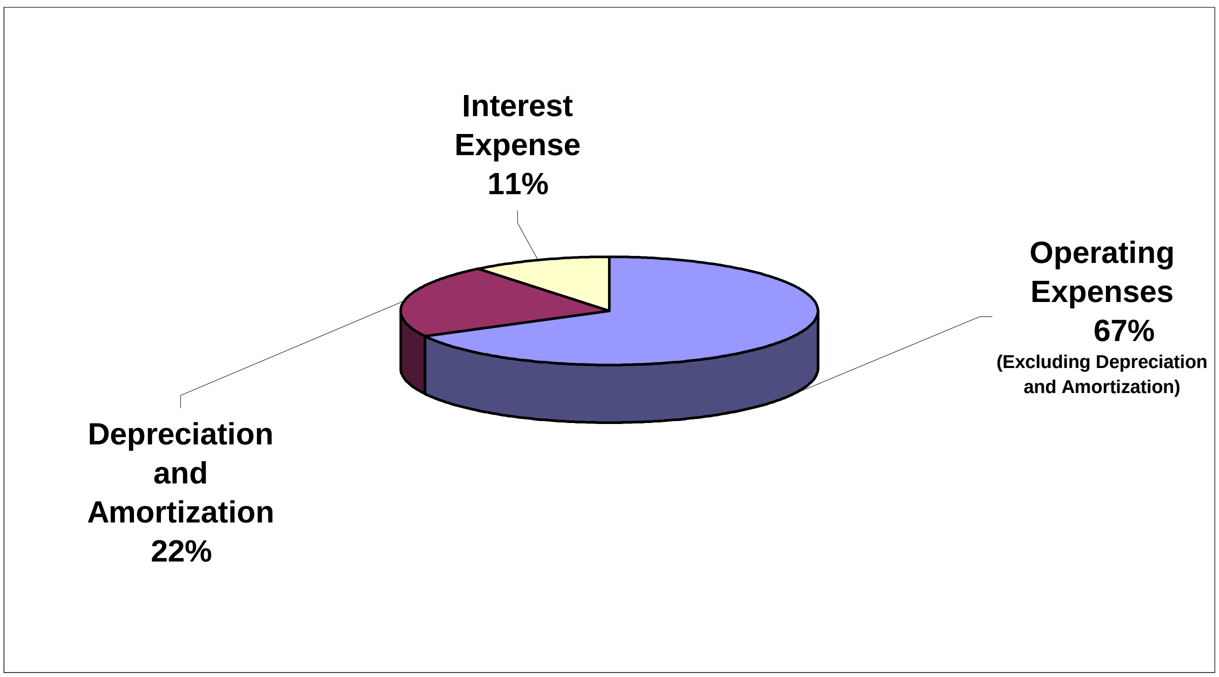
The following chart summarizes the revenues for the Fiscal Year ended June 30, 2001.



FISCAL YEAR ENDED JUNE 30, 2001
EXPENSES
(In Thousands)

Operating Expenses Less Depreciation and Amortization	$219,137
Depreciation and Amortization	71,389
Total Operating Expenses	290,526
Interest Expense	35,734
Total Expenses	$326,260

The following chart summarizes the expenses for the Fiscal Year ended June 30, 2001.



Financial Position

The total assets of the Authority as of June 30, 2001 were $2,424 million, an increase of $149 million or 6.57% over the Fiscal Year ended June 30, 2000. The major increases occurred in property, facilities and equipment, in addition the Authority acquired approximately $46 million of intangible assets associated with its purchase of property located near Logan Airport.

Passenger Facilities Charges

In 1993, the Authority's application to levy a PFC of $3.00 was approved by the FAA. The charge has been imposed on tickets sold on and after November 1, 1993. In January 1997, the FAA authorized the Authority to impose and use approximately $493.3 million of PFCs for the Authority's Residential Sound Insulation Program, the Terminal E Modernization project, the Circulating Roadways project, and the Elevated Pedestrian Walkways project. In February 1998, the FAA authorized the Authority to impose and use an additional $434.1 million of PFCs for the International Gateway project, bringing the total amount approved for collection to $927.4 million. Upon the issuance of the Authority's PFC Revenue Bonds, Series 1999A and 1999B (the "PFC Bonds") in May 1999, the Authority's PFCs were pledged pursuant to the PFC Trust Agreement to support the PFC Bonds and to fund construction of eligible portions of the projects described above. In the event that PFC Bond proceeds, PFCs and other funding sources are inadequate to meet anticipated project costs, projects may be deferred, altered, or canceled.

The history of PFC collections (excluding interest earnings thereon) is displayed in the chart below:

PASSENGER FACILITY CHARGES
(In Millions)

Fiscal Year 1995	$31.2
Fiscal Year 1996	$33.2
Fiscal Year 1997	$32.3
Fiscal Year 1998	$33.9
Fiscal Year 1999	$35.3
Fiscal Year 2000	$36.8
Fiscal Year 2001	$36.3

Debt Management

As of June 30, 2001, outstanding obligations of the Authority issued pursuant to the 1978 Trust Agreement and the PFC Trust Agreement totaled approximately $1.2 billion (excluding special facilities revenue bonds issued on behalf of and payable by certain borrowers). In Fiscal Year 2001, the total debt service deposited to the debt service funds to pay senior lien obligations issued pursuant to the 1978 Trust Agreement was $74,193,000, while debt service deposited on the debt service funds to pay PFC bonds issued pursuant to the PFC Trust Agreement was $21,543,000. The following is a summary of outstanding obligations issued by the Authority as of June 30, 2001:

Revenue Bonds

- The Authority had 14 series of Revenue Bonds (including Revenue Refunding Bonds) outstanding pursuant to the 1978 Trust Agreement in a total principal amount of $936,240,000.
- The Authority's Revenue Bonds were rated Aa3 by Moody's Investors Service ("Moody's"), AA- by Standard & Poor's ("S&P") and AA by Fitch IBCA. As a result of the financial impacts to the Authority arising from the events of September 11, 2001, each of the major credit rating agencies has placed the Authority's Revenue Bonds on credit watch with negative implications.

- During Fiscal Year 2001, the Authority issued its Subordinated Revenue Bonds, Series 2000-A, 2000-B and 2000-C and Series 2001-A, 2001-B and 2001-C, respectively, in the aggregate principal amount of $74 million (collectively, the “Subordinated Bonds”). The Subordinated Bonds are payable solely from funds on deposit in the Improvement and Extension Fund and in a separate account not subject to the pledge of the 1978 Trust Agreement or the PFC Trust Agreement (the “Subordinated Bonds Principal Account”). The Subordinated Bonds are subordinate to all of the Authority’s outstanding Revenue Bonds. The Authority has invested $12 million on deposit in the Subordinated Bonds Principal Account in two investment contracts which, at their stated maturities, will provide for the $74 million principal of the Subordinated Bonds at their respective maturities.

Commercial Paper

- The total amount of Commercial Paper Notes outstanding pursuant to the Trust Agreement was $25,000,000.
- The total amount of Commercial Paper Notes authorized was up to $100,000,000.
- The Authority’s Commercial Paper Notes are secured by a line of credit issued by Westdeutsch Landesbank Girozentrale, New York Branch (“West LB”) in a principal amount of $100 million, and were rated A-1+ and P-1 by S&P and Moody’s, respectively. On May 31, 2001, the Authority renewed its commercial paper program and entered into a three-year line of credit agreement with West LB to support the commercial paper program.

PFC Revenue Bonds

- The Authority has issued two series of PFC Bonds pursuant to the PFC Trust Agreement, with $249,355,000 outstanding. The Authority’s PFC Bonds are insured by Financial Security Assurance Inc. and are rated AAA, Aaa and AAA, as insured, by each of Fitch IBCA, Moody’s, and S&P, respectively. As a result of the financial impacts to the Authority arising from the events of September 11, 2001, each of the major credit rating agencies has placed underlying rating on the Authority’s PFC Revenue Bonds on credit watch with negative implications.

Special Facilities Revenue Bonds

- As of June 30, 2001, the Authority had approximately $315.6 million of special facilities revenue bonds outstanding, in six separate series of bonds.
- On March 1, 2001, the Authority issued its Special Facilities Revenue Refunding Bonds (Harborside Hyatt Conference Center and Hotel Project), Series 2001-A (tax-exempt) and 2001-B (taxable), a portion of the proceeds of which were applied to refund all of the Authority’s Special Facilities Revenue Bonds (Harborside Hyatt Conference Center and Hotel Project), Series 1990.
- On August 16, 2001, the Authority issued approximately $497.6 million in aggregate principal amount of its Special Facilities Revenue Bonds (Delta Air Lines, Inc. Project), Series 2001A, 2001B and 2001C (collectively, the “Delta Bonds”) to be applied to the redevelopment of Terminal A at the Airport. After issuance of the Delta Bonds, the aggregate principal amount of the Authority’s special facilities revenue bonds outstanding as of the date hereof is approximately $813.2 million.
- The principal of and interest on the special facilities revenue bonds issued by the Authority are special obligations of the Authority, payable solely from the sources of payment and to the extent provided in the resolutions establishing and authorizing the issuance of such bonds. The special facilities revenue bonds are not and shall never be general obligations of the Authority or of the Commonwealth or of any political subdivision thereof.

Other Obligations

- From time to time the Authority has guaranteed or provided other credit support for debt obligations issued by or on behalf of its tenants. During Fiscal Year 2000, the Authority entered into an agreement pursuant to which the Authority has guaranteed up to $10 million as additional credit support for a letter of credit securing an issue of bonds on behalf of one of the Authority's tenants.

Cash and Investment Management

The Authority is authorized by the 1978 Trust Agreement and the PFC Trust Agreement to invest in obligations of the U.S. Treasury, U.S. Government agencies and instrumentalities, in bonds or notes of public agencies or municipalities, in bank time deposits, and in repurchase agreements. All investments are held on behalf of the Authority by the Authority's trustees or a custodian, but managed by the Authority.

The certificates of deposit and the repurchase agreements are collateralized by obligations of the U.S. Government or agencies of the U.S. Government. The 1978 Trust Agreement and the PFC Trust Agreement require that securities underlying repurchase agreements at the time of purchase have a market value at least equal to the cost of the agreement plus accrued interest.

Certain funds that will be used for bond reserve requirements and capital projects are invested in long-term instruments. An annual cash flow projection is developed for all capital projects and bond funds. Investment maturities are scheduled to comply with the Authority's investment goals, which are in descending order of priority, (1) to preserve capital, (2) to provide liquidity to meet payment obligations and, (3) to generate interest income.

Pension and Retirement Fund Operations

Chapter 487 of the Massachusetts Acts of 1978 ("C. 487") provided for the establishment of the Massachusetts Port Authority Employees' Retirement System (the "Plan"), a contributory retirement system that is separate from the Massachusetts State Employees' Retirement System. Prior to 1978, Authority employees were members of the state employees' system, and the funding of the pension liability was on a "pay-as-you-go" method. Pursuant to C. 487, the Authority employees' rights and benefits under the state plan were transferred to the Plan, and the Authority established a separate pension fund. The Plan is a single employer plan which provides retirement benefits for substantially all employees of the Authority and incidental benefits for their surviving spouses, beneficiaries, and contingent annuitants. The Plan is a contributory defined benefit plan to which the Authority and its employees contribute such amounts as are necessary, on an actuarial basis, to provide assets sufficient to meet benefits to be paid to Plan participants. Total contributions to the Plan were $5,651,378 for the Plan Year ended December 31, 2000.

Risk Management

Under the 1978 Trust Agreement, the Authority is required to maintain insurance substantially in compliance with the recommendations of a Risk Management Consultant. The Authority maintains a program of risk management designed to afford insurance protection meeting the requirements of the 1978 Trust Agreement and of sound business practice at the most reasonable cost. Together with a program of funded deductibles and self-insurance of certain risks, the Authority has been licensed by the Commonwealth as a self-insurer for the Authority's workers' compensation risk. The self-insurance

program is being administered with assistance from a third-party administrator and losses are funded through a dedicated self-insurance account.

Contingent Liabilities

As of the date hereof, no lawsuit has been filed against the Authority related to the events of September 11, 2001. The Authority, however, has received notices of intent to bring suits related to these events. While the outcome of any such suits cannot be predicted, it should be noted that on November 19, 2001, President Bush signed into law legislation which includes a provision which limits the liability of certain parties, including airport owners and operators, for all claims arising from the terrorist-related aircraft crashes of September 11, 2001 to the limits of such entity's liability insurance coverage.

OTHER INFORMATION

Independent Audit

Pursuant to the 1978 Trust Agreement, an audit of the Authority's records, accounts, and financial statements has been completed by the Authority's independent auditors, PricewaterhouseCoopers LLP. Their report is included herein.

Additional Information

For additional information concerning the Authority, please see the Authority's award winning website, www.massport.com. In addition, the Authority files an Annual Statement of Financial Information and Operating Data each Fiscal Year with each Nationally Recognized Municipal Securities Information Repository designated by the Securities and Exchange Commission, and copies of this Annual Statement are available from such repositories and from the Authority. The Authority's executive offices are located at One Harborside Drive, Suite 200S, East Boston, Massachusetts 02128, and the main telephone number is (617) 426-2800. Questions may be directed to Leslie A. Kirwan, the Authority's Director of Administration and Finance and Secretary-Treasurer.

Acknowledgments

The completion of this report could not have been accomplished without the efficient and dedicated services of the entire Administration and Finance Department, the Communications Department, and the Legal Department. I would like to express my appreciation to all members of these departments who assisted and contributed to its preparation.

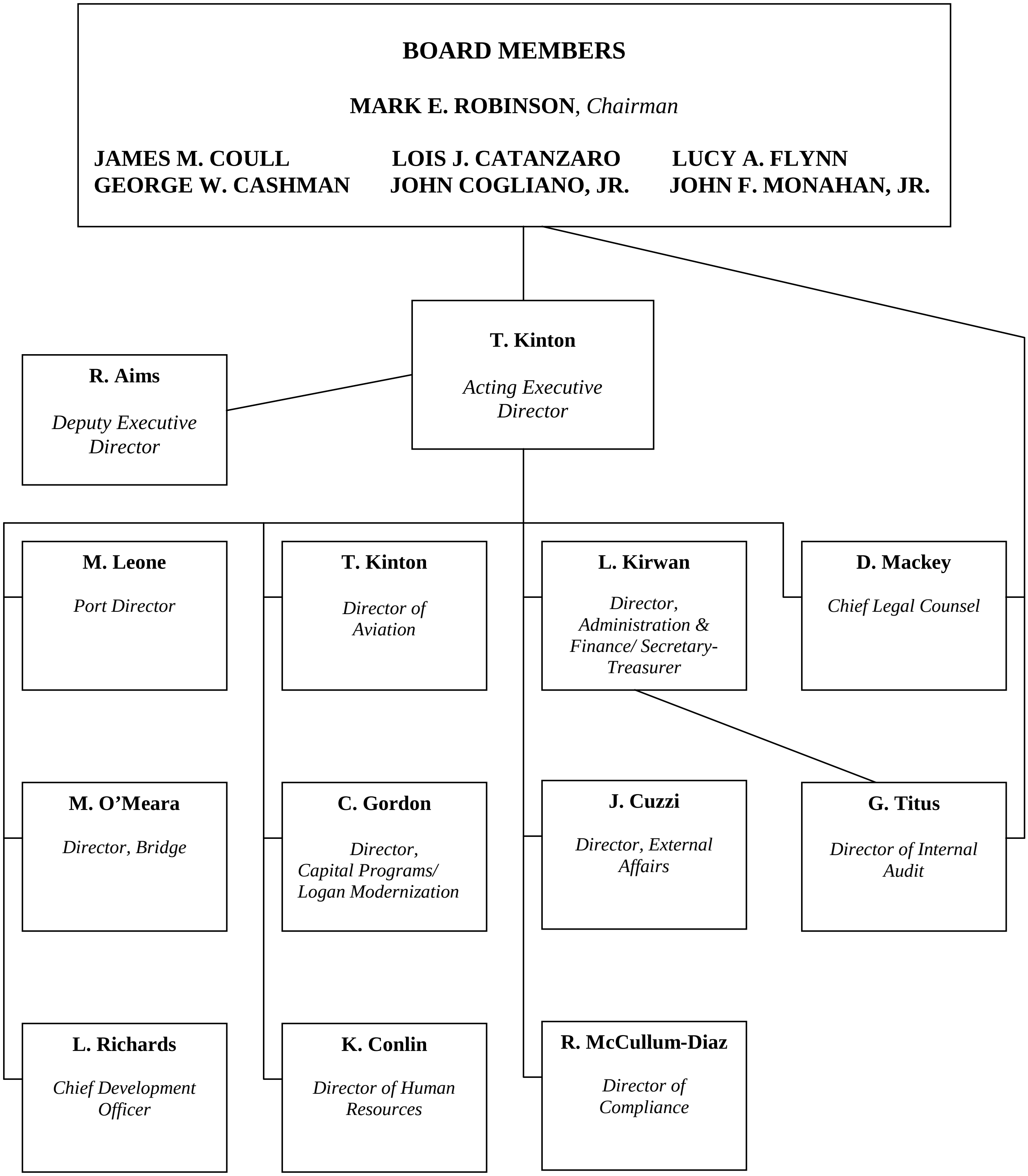
Very truly yours,

/s/ Leslie A. Kirwan

Leslie A. Kirwan
Director of Administration and Finance
Secretary-Treasurer

MASSACHUSETTS PORT AUTHORITY

ORGANIZATION CHART



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Financial

Comprehensive Annual Financial Report

Massachusetts Port Authority

Financial Statements
For the Years Ended June 30, 2001 and 2000

PricewaterhouseCoopers LLP
One International Place
Boston MA 02110
Telephone (617) 478 5000
Facsimile (617) 478 3900

Report of Independent Accountants

To the Members of the Massachusetts Port Authority:

In our opinion, the accompanying balance sheets and the related statements of revenue, expenses and changes in equity and of cash flows present fairly, in all material respects, the financial position of the Massachusetts Port Authority (the "Authority") (a public instrumentality of The Commonwealth of Massachusetts) at June 30, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Authority's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note A, the Authority adopted the provisions of the Government Accounting Standards Board ("GASB") Statement No. 33 *Accounting and Financial Reporting for Nonexchange Transactions*, as of July 1, 2000.

As described in Note P, on September 11, 2001, two commercial passenger planes that departed from Boston Logan International Airport were hijacked by terrorists. The planes flew into and subsequently destroyed the World Trade Center in New York City. There was a significant loss of life and property resulting from these acts, and Boston Logan International Airport was closed for four days. The financial impact of the events described above are not currently known, but could be material to the Authority's financial position and results of operations.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information presented on pages 48 and 49 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

September 28, 2001

Massachusetts Port Authority
Balance Sheets
June 30, 2001 and 2000
(In Thousands)

ASSETS	2001	2000
Cash and cash equivalents	$ 36,397	$ 33,709
Investments	56,857	41,483
Accounts receivable, net of allowance for doubtful accounts of $9,559 and $9,996 in 2001 and 2000, respectively	19,706	22,737
Accounts receivable – grants	6,297	2,034
Prepayments and other assets, net	12,965	22,629
Investment in joint venture	4,923	3,460
Intangible Assets	46,261	-
Assets whose use is limited, including cash and cash equivalents of $43,800 and $49,923 in 2001 and 2000, respectively	569,240	705,953
Investment in facilities		
Completed facilities	2,035,298	1,884,798
Less accumulated depreciation	(928,360)	(862,230)
	1,106,938	1,022,568
Construction in progress	564,582	420,159
Net investment in facilities	1,671,520	1,442,727
Total assets	$ 2,424,166	$ 2,274,732
LIABILITIES AND EQUITY		
Liabilities:		
Accounts payable and accrued expenses	$ 52,871	$ 62,514
Accrued compensated absences	15,745	13,224
Accrued interest payable	34,037	33,973
Funded debt	1,275,803	1,198,652
Deferred income	13,153	14,273
Total liabilities	1,391,609	1,322,636
Contingent liabilities and commitments		
Equity:		
Retained earnings	891,820	815,168
Contributed capital (grants in aid of construction)	140,737	136,928
Total equity	1,032,557	952,096
Total liabilities and equity	$ 2,424,166	$ 2,274,732

The accompanying notes are an integral part of these financial statements.

Massachusetts Port Authority
Statements of Revenues, Expenses and Changes in Equity
For the Year Ended June 30, 2001 and 2000
(In thousands)

	2001	2000
Operating revenues:		
Fees, tolls and other services	$ 188,137	$ 182,873
Rentals	81,231	75,925
Concessions	47,347	46,315
Other	10,185	10,714
Total operating revenues	326,900	315,827
Operating expenses:		
Operations and maintenance	145,797	135,468
Administration	57,353	54,054
Insurance	2,880	2,313
Payments in lieu of taxes	13,093	12,031
Provision for uncollectible accounts	14	(100)
Depreciation and amortization	71,389	75,706
Total operating expenses	290,526	279,472
Operating income	36,374	36,355
Nonoperating revenues (expenses):		
Passenger facility charges	36,324	36,815
Investment income	28,982	25,220
Interest expense	(35,734)	(34,323)
Gain on sale of equipment	148	139
Other	1,516	-
Total nonoperating revenue	31,236	27,851
Income before capital grant revenue	67,610	64,206
Capital grant revenue	12,851	-
Net income	80,461	64,206
Equity, beginning of year	952,096	878,146
Capital contribution	-	9,744
Equity, end of year	$ 1,032,557	$ 952,096

The accompanying notes are an integral part of these financial statements.

Massachusetts Port Authority
Statements of Cash Flows
For the Years Ended June 30, 2001 and 2000
(In thousands)

	2001	2000
Cash flows from operating activities:		
Cash received from customers	$ 330,194	$ 317,462
Cash payments:		
To vendors for goods and services	(111,817)	(111,146)
To employees for services	(88,568)	(81,945)
Payments in lieu of taxes	(13,093)	(12,031)
Net cash provided by operating activities	116,716	112,340
Cash flows from capital and related financing activities:		
Grants-in-aid of construction	8,588	9,370
Acquisition and construction of capital assets	(271,568)	(208,435)
Proceeds from sale of bonds	-	193,840
Proceeds from commercial paper financing	22,000	3,000
Proceeds from transfer of land	12,000	-
Proceeds from sale of equipment	92	391
Principal paid on funded debt	(19,175)	(34,460)
Interest paid on funded debt	(66,144)	(52,576)
Debt defeasance	-	(44,760)
Proceeds from passenger facility charges	35,403	36,385
Net cash used for capital and related financing activities	(278,804)	(97,245)
Cash flows from investing activities:		
Purchases of investments	(1,466,567)	(1,919,317)
Proceeds from sales and maturities of investments	1,581,798	1,852,866
Interest earned on investments	41,922	40,985
Proceeds from credit enhancement fee	1,500	-
Net cash provided by/(used in) investing activities	158,653	(25,466)
Net decrease in cash and cash equivalents	(3,435)	(10,371)
Cash and cash equivalents, beginning of year	83,632	94,003
Cash and cash equivalents, end of year	$ 80,197	$ 83,632

The accompanying notes are an integral part of these financial statements.

Massachusetts Port Authority
Statements of Cash Flows, Continued
For the Years Ended June 30, 2001 and 2000
(In thousands)

	2001	2000
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 36,374	$ 36,355
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	71,389	75,706
Provision for uncollectible accounts	14	(100)
Changes in assets and liabilities:		
Accounts receivable	3,938	2,541
Prepayments and other assets	2,536	(335)
Accounts payable and accrued expenses	1,064	(751)
Accrued compensated absences	2,521	1,044
Deferred income	(1,120)	(2,120)
Total adjustments	80,342	75,985
Net cash provided by operating activities	$ 116,716	$ 112,340

The accompanying notes are an integral part of these financial statements.

The Massachusetts Port Authority (the "Authority") is a public instrumentality of The Commonwealth of Massachusetts (the “Commonwealth”) created by Chapter 465 of the Acts of 1956, as amended, (the "Enabling Act"), effective June 21, 1956. The Authority controls, operates and manages Boston Logan International Airport ("Logan Airport"), Laurence G. Hanscom Field, Maurice J. Tobin Memorial Bridge ("Tobin Bridge"), the Port of Boston and other facilities in the Port of Boston. The Authority has no stockholders or equity holders and the Authority's financial statements are not a component of the Commonwealth's financial statements. The provisions of the Enabling Act and the Trust Agreement, dated as of August 1, 1978 as amended (the "Trust Agreement"), between the Authority and State Street Bank and Trust Company, as Trustee, and the PFC Revenue Bond Trust Agreement dated May 6, 1999, as amended (the "PFC Trust Agreement"), between the Authority and the Bank of New York, as Trustee, govern the disposition of cash revenues to the various funds established under the Trust Agreement and the PFC Trust Agreement, and restrict the use of such revenues credited to the various funds.

A. Summary of Significant Accounting Policies

These financial statements have been prepared on the accrual basis of accounting and the economic resources measurement focus in accordance with accounting principles generally accepted in the United States of America.

During 2001, the Authority adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. GASB Statement No. 33 requires that items of contributed capital be recorded as nonoperating revenue in the statement of revenues, expenses and changes in equity. GASB 33 states that governments should not restate contributed capital arising from periods prior to implementation of this statement. As a result of the adoption of GASB Statement No. 33, $12,851,000 of contributed capital is recorded as nonoperating revenue and $9,744,000 of contributed capital is recorded as an addition to equity, for the years ended June 30, 2001 and 2000, respectively. Accordingly, in 2001 the adjustment of depreciation expense attributable to assets constructed with funds from capital contributions is no longer required to reconcile net income to change in equity.

During 1999, the Governmental Accounting Standards Board ("GASB") issued a statement titled "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." Effective July 1, 2001, the basic financial statements and required supplementary information for enterprise funds should consist of Management’s Discussion and Analysis, Basic Financial Statements, and all required supplementary information. In addition, the Authority’s equity will be required to be classified into three new categories of net assets: Invested in plant net of debt, restricted and unrestricted. The Authority is currently evaluating the effects of the new reporting presentation.

Beginning on July 1, 1995, the Authority elected to apply all GASB and Financial Accounting Standards Board ("FASB") pronouncements issued before November 30, 1989, under the provisions of GASB Statement No. 20.

Assets Whose Use Is Limited
The balance sheet caption, "Assets whose use is limited," represents restricted or trusteed assets under the Trust Agreement and the PFC Trust Agreement that are earmarked to fund certain activities of the Authority such as construction of new facilities and debt service.

Cash and Cash Equivalents
The Authority considers all highly liquid investments (including assets whose use is limited) with an original maturity of 30 days or less when purchased to be cash equivalents.

A. Summary of Significant Accounting Policies, continued

Investments

Investments with an original maturity greater than one year are recorded at their fair value with all investment income, including changes in the fair value of investments, reported as investment income in the financial statements. Investments with an original maturity of less than one year are carried at amortized cost. Investments consist of commercial paper, U.S. Government and agency obligations, and repurchase agreements collateralized by U.S. Government or agency obligations, with an original maturity greater than three months.

Self-Insurance

The Authority, as mandated by the Trust Agreement, maintains a Self-Insurance Account within the Operating Fund. The funds on deposit in the Self-Insurance Account are intended to pay claims that are below insurance policies' deductible limits, and to be available to fund certain claims that may not be insurable, if any. Investments used to fund self-insurance claims are included within "Assets whose use is limited" in the accompanying balance sheets.

Investment in Facilities

Facilities are carried at historical cost and include the expenditure of federal grants-in-aid of construction (contributed capital) and the cost of significant renewals and betterments. Federal grants-in-aid of construction are recorded as contributed grant revenue for the year ended June 30, 2001 and as contributed capital for the year end June 30, 2000. Expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation

Depreciation is provided on the straight-line method based on estimated useful lives of the related assets beginning in the fiscal year of acquisition or upon completion of construction. Depreciation is computed on facilities which are recorded in the accounts of the Authority, including those financed by grants-in-aid of construction.

Interest Capitalization

The Authority capitalizes certain interest associated with the cost of restricted tax-exempt borrowings, less any interest earned on temporary investment of the proceeds of those borrowings during the period of construction. Interest expense of $30,475,000 and $29,149,000 reduced by interest income of $12,940,000 and $15,765,000, resulted in interest of $17,535,000 and $13,384,000 for the years ended June 30, 2001 and 2000, respectively, being capitalized as a part of the cost of construction in progress.

Accounting for Compensated Absences

The Authority accrues for vacation and sick pay when it is earned. The liability for vested vacation and sick pay is reflected in the accompanying balance sheets under the caption "Accrued compensated absences."

Deferred Income

Deferred income consists primarily of amounts received from the Massachusetts Highway Department ("MHD") primarily for temporary and permanent easements of certain properties at Logan Airport which provide MHD with sufficient rights in land owned by the Authority to permit MHD to complete the Ted Williams Tunnel project, as currently designed. Income received from these easements will be recognized over the shorter of the asset's useful life or the original term for temporary easements, and over the estimated useful life of the assets constructed under permanent easements, which is 25 years.

A. Summary of Significant Accounting Policies, continued

Arbitrage - Rebate Liability

The U.S. Treasury has issued regulations on calculating the rebate due to the U.S. Government on arbitrage profits and determining compliance with the arbitrage rebate provisions of the Tax Reform Act of 1986. Arbitrage profits arise when the Authority temporarily invests the proceeds of tax-exempt debt in securities with higher yields. The Authority records a liability for arbitrage profits, if any, when the likelihood of payment becomes probable.

Passenger Facility Charges

Revenues derived from the collection of passenger facility charges ("PFCs") are recognized on the accrual basis and reported as nonoperating revenue by the Authority.

Intangible Assets

Intangible assets consist of the rights to use certain parking spaces acquired by the Authority as part of the ParkEx Acquisition. These intangible assets are amortized on a straight-line basis over 30 years.

Joint Venture

The Authority has a 33% participating interest in an investment in a joint venture. In accordance with the joint venture agreement, the Authority records as income or loss its proportionate share of the net earnings or losses of the joint venture with a corresponding increase or decrease in the carrying value of the investment. The investment in the joint venture is reduced as cash distributions are received and is increased as cash contributions are made.

Financial Statement Reclassification

Certain accounts in the June 30, 2000 financial statements have been reclassified to conform with the June 30, 2001 presentation.

B. Reconciliation of Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the Trust Agreement and the PFC Trust Agreement to the Financial Statements

The provisions of the Enabling Act, the Trust Agreement and the PFC Trust Agreement prescribe certain accounting practices to be followed in maintaining the accounts and records of the Authority.

Under the Trust Agreement, monthly cash revenues of the Authority are deposited in the Operating Fund established pursuant to the Trust Agreement. After providing for operating expenses, including pension expense and transfers to the Self-Insurance Account, cash revenues are then transferred to the Interest and Sinking Fund, which are applied to debt service on any outstanding revenue bonds, the Maintenance Reserve Fund, the Payment In Lieu of Taxes Fund and, if applicable, the Capital Budget Fund and finally the Improvement and Extension Fund. Cash and investments held in the Improvement and Extension Fund, to the extent designated by the Authority, are deposited in the Capital Budget Account within such fund. PFCs are deposited in the PFC Pledged Revenue Fund established pursuant to the PFC Trust Agreement and applied monthly to pay debt service on PFC Revenue Bonds as required in the PFC Trust Agreement.

B. Reconciliation of Revenues and Operating Expenses as Determined by Accounting Practices Prescribed by the Trust Agreement and the PFC Trust Agreement to the Financial Statement, continued

Presented below are the 2001 and summary 2000 revenues and operating expenses as determined in accordance with the Trust Agreement, and a reconciliation to net income as presented in the accompanying statements of revenues, expenses and changes in equity under accounting principles generally accepted in the United States of America ("GAAP").

(In thousands)	Bridge	Airport Properties	Port Properties Maritime	Port Properties Development*	Investments	2001 Total	2000 Total
Revenues, net:							
Total pledged revenues (5)	$ 13,190	$ 274,087	$ 32,155	$ 7,454	$ 21,604	$ 348,490	$ 333,675
Operating expenses:							
Operations and maintenance	4,973	110,343	25,792	3,593		144,701	135,218
Administration (6)	2,445	44,690	7,160	3,058		57,353	54,054
Insurance	234	2,017	468	171	-	2,890	2,454
Total	7,652	157,050	33,420	6,822		204,944	191,726
Excess (deficit) of revenues over operating expenses as prescribed by the trust agreement	5,538	117,037	(1,265)	632	21,604	143,546	141,949
Add:							
Other Revenue (3)		1,516				1,516	-
Self Insurance Interest Income/others (3)					2,033	2,033	1,524
Self Insurance Cost (1)		10				10	141
Passenger Facility Charge (3)		36,324			5,345	41,669	42,763
Gain on sale of equipment (2) (4)		148				148	139
Capital grant revenue (3)		12,851				12,851	
Less:							
PILOT (4)	(933)	(10,759)	(976)	(425)		(13,093)	(12,031)
Interest Expense (4)	(1,471)	(29,120)	(3,872)	(1,271)		(35,734)	(34,323)
Depreciation and Amortization (4)	(4,751)	(51,930)	(9,222)	(5,486)		(71,389)	(75,706)
Other Expenses (4)		(1,096)				(1,096)	(250)
Net income (loss)	$ (1,617)	$ 74,981	$ (15,335)	$ (6,550)	$ 28,982	$ 80,461	$ 64,206

* Development includes activities related to the Authority's alternative use program, principally the Commonwealth, Fish and Hoosac Piers.

(1) Expensed under Trust Agreement, not an expense under GAAP.
(2) Equipment is depreciated under GAAP but not under Trust Agreement.
(3) Not revenue under Trust Agreement, revenue under GAAP.
(4) Not operating income/(expense) under Trust Agreement, income/(expense) under GAAP.
(5) For trust accounting purposes, the provision for uncollectible accounts is netted within the accounts listed under the Pledged Revenues caption.
(6) The Authority allocates total administrative expenses based upon the proportionate amount of revenues and direct expenses by facility.

C. Cash, Cash Equivalents and Investments

The following summarizes the Authority's cash, cash equivalents and investments at June 30, 2001 by the various funds and accounts established under the Trust Agreement and the PFC Trust Agreement. Summary 2000 information is also presented:

(In thousands)	Cash and cash equivalents	Investments	Assets whose use is limited: Cash, cash equivalents and investments	2001 Total	2000 Total
User defined for specific purposes:					
Operating/revenue fund	$ 32,731	$ -	$ -	$ 32,731	$ 27,864
Self-insurance account	-	-	29,812	29,812	26,968
Maintenance reserve	-	-	42,633	42,633	43,802
Payments in lieu of taxes	-	-	8,210	8,210	8,081
Capital budget account	-	-	98,911	98,911	101,258
Improvement and Extension Fund	3,666	56,857	-	60,523	47,328
1992 Interest and Sinking Fund	-	-	7,527	7,527	7,524
1993 Interest and Sinking Fund	-	-	14,164	14,164	14,080
1997A Interest and Sinking Fund	-	-	17,567	17,567	16,999
1997B Interest and Sinking Fund	-	-	4,900	4,900	4,872
1998A Interest and Sinking Fund	-	-	12,622	12,622	12,627
1998B Interest and Sinking Fund	-	-	7,270	7,270	7,302
1998C Interest and Sinking Fund	-	-	26,250	26,250	25,390
1998D Interest and Sinking Fund	-	-	7,510	7,510	7,812
1998E Interest and Sinking Fund	-	-	9,484	9,484	9,328
1999C Interest and Sinking Fund	-	-	20,086	20,086	19,539
1999D Interest and Sinking Fund	-	-	4,480	4,480	3,286
1996C Project Note	-	-	633	633	961
1997 Note Project Account	-	-	3	3	37
1998D Project Note	-	-	-	-	2,259
1998E Project Note	-	-	-	-	463
1998 Project Refunding Account	-	-	52	52	52
1999C Project Note	-	-	-	-	52,239
1999D Project Note	-	-	34,244	34,244	56,405
Credit Enhancement Account	-	-	-	-	8,425
Park Ex 2000A Principal & Interest			8,002	8,002	-
Park Ex 2001A Principal & Interest			6,785	6,785	-
PFC Pledged Revenue	-	-	3,461	3,461	5,132
PFC Capital	-	-	45,849	45,849	72,158
PFC Collection	-	-	75	75	-
1999A&B PFC Funded Interest	-	-	1,872	1,872	242
1999A&B NON-PFC Fund Interest	-	-	4,035	4,035	5,726
1999A PFC Funded Debt Service Reserve	-	-	25,578	25,578	25,578
1999A PFC Project	-	-	12,013	12,013	28,214
1999B PFC Project	-	-	106,105	106,105	139,194
1999B PFC Principal	-	-	7,750	7,750	-
1999B Non PFC Principal	-	-	1,357	1,357	-
Total	$ 36,397	$ 56,857	$ 569,240	$ 662,494	$ 781,145

C. Cash, Cash Equivalents and Investments, continued

The carrying amount of the Authority's cash deposits was $4,376,000 and $5,458,000 at June 30, 2001 and 2000, respectively. The bank balance was $10,933,000 and $12,204,684 at June 30, 2001 and 2000, respectively. The nature of the reconciling items between the book and bank balance consisted primarily of outstanding checks which had not cleared the bank at year-end. The bank balance was fully collateralized as of June 30, 2001 and 2000.

The following summarizes the Authority's cash and cash equivalents and investments by type held at June 30, 2001. Summary 2000 information is also presented.

(In thousands)	**Carrying Amount**	**Fair Value**
Repurchase agreements	$ 153,575	$ 153,575
Forward delivery agreements	40,592	40,592
Guarantee Investment Contracts	12,384	12,384
U.S. Government Agencies and Instrumentalities:		
Federal Farm Credit (FFC)	31,541	31,552
Federal National Mortgage Association (FNMA)	127,718	128,530
Federal Home Loan Bank (FHLB)	152,843	153,773
Federal Home Loan Mortgage Corp. (FHLMC)	66,647	67,014
Sallie Mae (SLMA)	2,041	2,043
Total U.S. Government Agencies and Instrumentalities	380,790	382,912
Massachusetts Municipal Depository Trust (MMDT) and others	65,761	65,761
Total investments	653,102	655,224
Cash deposit	4,376	4,376
Certificates of deposit	5,016	5,016
Total at June 30, 2001	$ 662,494	$ 664,616
Total at June 30, 2000	$ 781,145	$ 778,820

The Authority is authorized by the Trust Agreement and the PFC Trust Agreement to invest in obligations of the U.S. Treasury, U.S. Government agencies and instrumentalities, in bonds or notes of public agencies or municipalities, in bank time deposits and in repurchase agreements. All investments are held on behalf of the Authority by the Authority's trustees and custodian.

The repurchase agreements listed above are collateralized by obligations of the U.S. Government or agencies of the U.S. Government. The Trust Agreement and the PFC Trust Agreement require that securities underlying repurchase agreements at the time of purchase must have a fair value at least equal to the cost of the agreement plus accrued interest. MMDT is a governmental investment pool with a diversified portfolio of money market instruments.

C. Cash, Cash Equivalents and Investments, continued

The forward delivery agreements are in the form of a guaranteed investment contract which provides for, among other things, the sequential delivery of securities to be sold to the Trustee monthly, or semiannually, at a discount from maturity value such that the aggregate discount equals the interest rate previously established between the Authority and the provider of the guaranteed investment contract.

The Authority's investments are categorized below to give an indication of the level of risk with Category 1 being the lowest level of risk to Category 3 being the highest level of risk.

Category 1: Includes investments that are insured or registered, or securities held by the Authority or its agent in the Authority's name. Category 2: Includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the name of the Authority. Category 3: Includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the name of the Authority. Investments in MMDT are not categorized.

The table below presents the Authority's investment risk classifications in accordance with GASB Statement No. 3:

June 30, 2001
(In thousands)

	Category 1	Category 2	Category 3	Carrying amount	Fair value
Investments:					
Repurchase agreements		$ 153,575		$ 153,575	153,575
Forward delivery agreements		40,592		40,592	40,592
U.S. Government agencies and instrumentalities		380,790		380,790	382,912
Guarantee Investment Contracts		12,384		12,384	12,384
Sub Total		$ 587,341		587,341	589,463
Investments not categorized:					
Mutual Fund and other (MMDT)				65,761	65,761
Sub Total				65,761	65,761
Cash Deposits:					
Cash on Hand				4,376	4,376
Certificates of Deposit				5,016	5,016
Sub Total				9,392	9,392
Total at June 30, 2001				$ 662,494	$ 664,616

C. Cash, Cash Equivalents and Investments, continued

June 30, 2000
(In thousands)

	Category 1	Category 2	Category 3	Carrying Amount	Fair Value
Investments:					
Repurchase agreements		$ 274,412		$ 274,412	$ 274,927
Forward delivery agreements		32,047		32,047	32,047
U.S. Government agencies and instrumentalities		396,321		396,321	393,481
Sub Total		$ 702,780		$ 702,780	$ 700,455
Investments not categorized:					
Fidelity U.S. Treasury Income Portfolio Mutual Fund				199	199
Mutual Fund and other (MMDT)				67,666	67,666
Sub Total				770,645	768,320
Cash Deposits					
Cash on hand				5,458	5,458
Certificates of deposit				5,042	5,042
Sub Total				10,500	10,500
Total at June 30, 2000				$ 781,145	$ 778,820

D. ParkEx Acquisition

During fiscal 2001, the Authority entered into an agreement for the purchase of a park and fly business located near Logan Airport, and the exchange of such property with the Massachusetts Highway Department for a different parcel and the receipt of $12 million cash. The Authority purchased the ownership interest of two partnerships that owned and operated a park and fly business (“ParkEx”) located near the Airport and held the contractual rights to park 1,377 automobiles in East Boston. The purchase price for the partnerships was $75.6 million, of which, $74 million was paid through the issuance of two separate series of the Authority’s Subordinated Revenue Bonds (the “Subordinated Bonds”), and the remaining $1.6 million was paid from available cash. The Subordinated Bonds are payable solely from funds on deposit in the Improvement and Extension Fund and in the Subordinated Bonds Principal Account and are subordinate to all of the Authority’s outstanding Revenue Bonds. Upon acquisition, the acquired partnerships were dissolved.

The Authority has deposited in the Subordinated Bonds Principal Account and invested the $12 million received in such a manner as to provide for the payment of the principal of the Subordinated Bonds at their respective maturities.

The purchase price has been allocated between the ParkEx parcel and the contractual rights to park 1,377 automobiles in East Boston (the “ParkEx Parking Spaces”). The total amount allocated to the ParkEx Parking Spaces is approximately $46 million and is presented as Intangible Assets in the accompanying financial statements.

E. Investment in Facilities and Depreciation

Net investment in facilities at June 30, 2001 and 2000 is comprised of:

(In thousands)	2001	2000
Facilities completed by operation:		
Airport	$ 1,486,465	$ 1,350,199
Bridge	132,977	132,179
Port	415,856	402,420
Investment in facilities	$ 2,035,298	$ 1,884,798

A summary of changes in construction in progress, property, plant and equipment for the year ending June 30, 2001 is as follows:

(In thousands)	Beginning balance July 1, 2000	Transfers and additions	Transfers and deletions	Ending balance June 30, 2001
Construction in progress	$ 420,159	$ 300,837	$ (156,414)	$ 564,582
Land & land improvements	113,226	17,361	-	130,587
Bridge and bridge improvements	126,194	550	(81)	126,663
Buildings	1,197,592	75,618	(26,539)	1,246,672
Runway & other paving	355,279	62,928	(2,697)	415,510
Machinery & Equipment	92,507	28,057	(4,697)	115,867
	1,884,798	184,514	(34,014)	2,035,298
Less accumulated depreciation	(862,230)	(70,580)	4,450	(928,360)
	$1,442,727	$ 414,771	$ (185,978)	$ 1,671,520

E. Investment in Facilities and Depreciation, continued

Estimated useful lives used in the calculation of depreciation are as follows:

Bridge	100 years
Bridge improvements	10 and 25 years
Buildings	25 years
Runways and other paving	10 and 25 years
Machinery and equipment	5 and 10 years

F. Passenger Facility Charges

In 1993, the Authority received initial approval from the Federal Aviation Administration ("FAA") to impose a $3.00 passenger facility charge ("PFC") at Logan Airport. PFCs collected by the Authority can be used for capital projects determined by the FAA to be eligible in accordance with the Aviation Safety and Capacity Expansion Act of 1990. The Authority is authorized to collect net PFCs up to $598.8 million from November 1, 1993 through a projected expiration date of October 1, 2011.

In January 1997, the Authority received approval from the FAA to increase its collections up to $631.8 million with a projected expiration date of September 1, 2012. The Authority also received approval from the FAA to use or expend a total of $493.3 million for preliminary design projects as well as for the final design, construction and financing costs associated with the eligible portions of residential soundproofing, Terminal E Modernization, circulating roadways and the elevated walkways.

In February, 1998, the Authority received approval from the FAA to increase its collections up to $927.4 million with a projected expiration date of October 1, 2017. The Authority also received approval to use or expend $434.1 million for the final design, construction and financing costs associated with the eligible portions of the International Gateway Project.

On May 6, 1999, the Authority entered into the PFC Trust Agreement with the Bank of New York, simultaneously removing PFC revenues from the pledge of the Trust Agreement. All PFCs collected by the Authority are currently pledged under the PFC Trust Agreement. On June 16, 1999, the Authority issued $249,355,000 PFC Revenue Bonds, Series 1999A and 1999B pursuant to the PFC Trust Agreement.

The amount of PFC revenue and the proceeds of bonds issued pursuant to the PFC Trust Agreement invested in Authority facilities, operations and reserves that are restricted for future PFC project payments is as follows:

(In thousands)	June 30, 2001	June 30, 2000
Total assets, PFCs	$ 536,709	$ 497,499
PFC funds and PFC Bond funds expended	(338,848)	(230,650)
Other PFC related assets, net	10,237	9,395
PFCs and PFC Bond proceeds restricted but not yet expended	$ 208,098	$ 276,244

G. Equity

(In Thousands)	Retained earnings	PFC program	Contributed capital, grants-in-aid of construction	Total equity
Balance, June 30, 1999	$ 551,084	$ 191,107	$ 135,955	$ 878,146
Net income	30,055	34,151	-	64,206
Contributed capital, grants-in-aid of construction	-	-	9,744	9,744
Transfer of depreciation to contributed capital	8,771	-	(8,771)	-
Balance, June 30, 2000	589,910	225,258	136,928	952,096
Net income	36,035	40,617	3,809	80,461
Balance, June 30, 2001	$ 625,945	$ 265,875	$ 140,737	$ 1,032,557

H. Funded Debt

The following is a summary of the Authority's funded debt activity for the years ended June 30, 2001 and 2000:

(In thousands)	2001	2000
Funded debt, beginning of year	$ 1,207,770	$ 1,090,150
New debt issued	96,000	196,840
Principal paid on funded debt	(19,175)	(34,460)
Defeasance	-	(44,760)
Funded debt, end of year	$ 1,284,595	$ 1,207,770

H. Funded Debt, continued

Funded debt at June 30, 2001 and 2000 is comprised of the following:

(In thousands)	Weighted average interest rate at June 30, 2001	2001	2000
Revenue Refunding Bonds:			
Series 1993 - A & B	5.3%	$ 40,455	$ 43,500
Series 1997 – C	4.8%	14,510	14,665
Series 1998 - A, B & C	5.8%	235,850	246,665
Revenue Bonds:			
Series 1992 - A & B	5.7%	14,630	16,310
Series 1997 – A	5.2%	63,605	65,945
Series 1997 – B	5.0%	19,680	20,420
Series 1998 – D	4.6%	22,235	22,235
Series 1998 – E	5.0%	25,870	25,870
Series 1999 – C	5.6%	55,125	55,525
Series 1999 – D	5.5%	33,490	33,490
Term Revenue Bonds	5.3%	410,790	410,790
Subordinated Revenue Bonds			
Series 2000	6.45%	40,000	-
Series 2001	6.45%	34,000	-
PFC Revenue Bonds:			
Series 1999 – A	5.1%	67,665	67,665
Series 1999 – B	5.1%	181,690	181,690
Commercial paper	2.6%	25,000	3,000
Total funded debt		1,284,595	1,207,770
Less: unamortized loss on refunding		(3,676)	(3,859)
Less: original issue discount		(5,116)	(5,259)
Total		$ 1,275,803	$ 1,198,652

H. Funded Debt, continued

Scheduled principal payments on funded debt are due annually on July 1 as follows:

Fiscal Year (In Thousands)

2002	$ 32,450
2003	36,495
2004	38,770
2005	40,655
2006	42,700
Thereafter	1,093,525
Total	$ 1,284,595

On December 29, 2000 and January 2, 2001, as a component of the ParkEx Acquisition, the Authority issued its Subordinated Revenue Bonds, Series 2000-A, 2000-B and 2000-C, and Series 2001-A, 2001-B and 2001-C, respectively, in the aggregate principal amount of $74 million, bearing interest at 6.45% per annum (collectively, the "Subordinated Bonds"), which are treated as a non-cash transaction in the accompanying financial statements. The Subordinated Bonds are payable solely from funds on deposit in the Improvement and Extension Fund and in a separate account not subject to the pledge of the Trust Agreement or the PFC Trust Agreement (the "Subordinated Bonds Principal Account"). The Subordinated Bonds are subordinate to all of the Authority's outstanding Revenue Bonds. The Authority has invested $12 million on deposit in the Subordinated Bonds Principal Account in two investment contracts which, at their stated maturities, will provide for the $74 million principal of the Subordinated Bonds at their respective maturities.

On May 31, 2001, the Authority renewed its commercial paper program in an aggregate principal amount not to exceed $100 million, and entered into a three year Line of Credit Agreement with Westdeutsch Landesbank Girozentrale, acting through its New York Branch, to support the commercial paper program. The sum of the non-AMT (Alternative Minimum Tax) program (called the 1996 Series) and the AMT program (called the 1997 Series) will not exceed the lesser of 10% of the outstanding principal on the Authority's outstanding debt or $100 million. As of June 30, 2001 and 2000, $25 million and $3 million, respectively, in commercial paper, the 1996 Series, was outstanding.

H. Funded Debt, continued

In prior years, the Authority defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust with the Trustee for such bonds to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. At June 30, 2001, the balances outstanding for the following bonds which are considered defeased include:

	(In thousands)
1964 Series	$ 11,510
1969 Series	31,595
1971 Series	49,535
1973 Series	64,395
1982 Series	44,645
Total defeased bonds	$ 201,680

To provide for the construction and improvement of various facilities at Logan Airport, including a hotel and conference center, a fuel storage and distribution system, terminal extensions and improvements, and maintenance facilities, the Authority has issued six series of special facilities revenue bonds. On March 1, 2001, the Authority issued its Special Facilities Revenue Refunding Bonds (Harborside Hyatt Conference Center and Hotel Project), Series 2001-A (Tax-Exempt) and 2001-B (Taxable), a portion of the proceeds of which were applied to refund all of the Authority's outstanding Special Facilities Revenue Bonds (Harborside Hyatt Conference Center and Hotel Project), Series 1990. The Authority's special facilities revenue bonds are special limited obligations of the Authority and are payable solely from and secured solely by certain revenues to be received by a separate trustee, pursuant to lease agreements between the Authority and the tenants of the facilities constructed with the proceeds of such bonds and, in certain cases, guaranty agreements from the lessee/obligor. The Authority's special facilities revenue bonds do not constitute a debt or pledge of the faith and credit of the Authority or the Commonwealth and, accordingly, have not been reflected in the accompanying financial statements. (See Note J)

At June 30, 2001, the aggregate principal amount of the Authority's special facilities revenue bonds outstanding is approximately $315.6 million.

On August 16, 2001, the Authority issued approximately $497.6 million in aggregate principal amount of its Special Facilities Revenue Bonds (Delta Air Lines, Inc. Project), Series 2001A, 2001B and 2001C (collectively, the "Delta Bonds"). The proceeds of the Delta Bonds were loaned to Delta Air Lines, Inc. ("Delta"), to be applied to the redevelopment of Terminal A at Logan Airport. The Delta Bonds are special, limited obligations of the Authority, and are payable from and secured solely by certain revenues to be received by a separate trustee pursuant to a lease agreement between the Authority and Delta and a guaranty of Delta.

After consideration of the issuance of the Delta Bonds, the aggregate principal amount of the Authority's Special Facilities Revenue Bonds outstanding is approximately $813.2 million.

I. Pension Costs

In July 1978, the Massachusetts legislature passed legislation which was enacted as Chapter 487 of the Massachusetts Acts of 1978 ("C.487") and signed into law on July 18, 1978. This act provided for the establishment of the "Massachusetts Port Authority Employees' Retirement System," (the "Plan"), a contributory retirement system that is separate from the Massachusetts State Employees' Retirement System. Prior to this enactment, Authority employees were members of the state employees' system, and the funding of the pension liability was on a "pay as you go" method. Pursuant to C.487, the employees' rights and benefits under the state plan were transferred to the new system, and the Authority established a separate pension fund. The Single Employer Plan was established to provide retirement benefits for substantially all employees of the Authority and incidental benefits for their surviving spouses, beneficiaries and contingent annuitants. The Plan is a contributory defined benefit plan to which the Authority and its employees contribute such amounts as are necessary, on an actuarial basis, to provide assets sufficient to meet benefits to be paid to plan participants. The Plan issues a stand-alone financial report which can be obtained by writing to:

Massachusetts Port Authority Employees' Retirement System
One Harborside Drive, Suite 200S
East Boston, MA 02128-2909

At January 1, 2001, the Plan's membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	353
Current members:	
Active	1,203
Inactive	75
Total	1,631

Benefits are paid by the Plan from net assets available for plan benefits. Plan participants are Entitled, at normal retirement date, to benefit payments based upon length of service and earnings levels. Vesting occurs after ten years of service. Optional payment methods may be elected, including the contingent annuitant method which provides for reduced payments during the life of the plan participant and continued payments to the participant's beneficiary after the death of the participant.

The Authority's covered payroll for members of the Plan as of the most recent actuarial valuation dates was approximately $65.4 million as of January 1, 2001. Total payroll for Authority employees was approximately $79.8 million for the 12 months ended June 30, 2001.

The actuarial cost method utilized to determine contributions to the Plan for the years ended December 31, 2000 and 1999 is the Frozen Entry Age Actuarial Cost Method.

The more significant actuarial assumptions underlying the actuarial computations for the years ended December 31, 2000 and 1999 are as follows:

Assumed rate of return on investments	-	8.0% per annum compounded annually
Nondisabled life mortality	-	1994 Group Annuity Mortality Table (sex-distinct)
Withdrawal prior to retirement	-	The rates shown at the following sample ages illustrates the withdrawal assumption

I. Pension Costs, continued

	Rate of Withdrawal	
Age	**Group 1 and 2**	**Group 4**
25	9.0%	1.8%
30	5.6%	1.7%
35	3.2%	1.3%
40	2.3%	0.5%
45	1.8%	0.04%
50	1.5%	N/A
55	N/A	N/A

Salary escalation	-	5.5% per annum
Rate of Inflation	-	3.0%
Rates of retirement		Group 1 and 2 employees are assumed to retire upon the attainment of age 63 and 10 years of service
	-	Group 4 employees are assumed to retire upon the attainment
	-	of age 58 and 10 years of service
Retirement benefits	-	1.5% - 2.5% per year of service for Group 1 and Group 4
	-	2.0% - 2.5% per year of service for Group 2
Postretirement cost of living increases	-	3% per annum compounded annually on the first $12,000 of pension benefits.

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due and fund operating costs of the Plan. The Plan also amortizes the unfunded actuarial accrued liabilities in level amounts at 8% over a period of 20 years on a closed basis. The actuarial value of assets is determined using fair market values (adjusted by payables and receivables) adjusted to phase in investment gains or losses above or below the expected rate of investment return. A four-year rolling period is used.

I. Pension Costs, continued

Total contributions to the Plan were $5,651,378 for the plan year ended December 31, 2000. This includes employee contributions of $5,651,378 which are based upon a percentage of employee base pay (5% for employees hired before January 1, 1975. 7% for employees hired between January 1, 1975 and January 1, 1984, 8% for employees hired after January 1, 1984 and 9% for employees hired after July 1, 1996 and, effective January 1, 1998, an additional 2% of base pay over $30,000 for those employees hired after December 31, 1978) and employer contributions of $0 which were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed for the Plan's fiscal year beginning January 1, 2001.

As presented in the following table, the Frozen Entry Age Actuarial Method for calculating the schedule of funding progress is the methodology required by the Plan under its charter.

(In Thousands)

Actuarial valuation date	(a) Actuarial value of assets	(b) Actuarial accrued liability ("AAL")	(b-a) Unfunded actuarial accrued liability ("UAAL")	(a/b) Funded ratio	(c) Covered payroll	(b-a)/c UAAL as a percent of covered payroll
1/1/00	$260,162	$262,593	$2,431	99.1%	$61,250	4.0%
1/1/99	230,807	234,184	3,378	98.6%	56,888	5.9%
1/1/98	202,761	208,176	5,415	97.4%	54,393	10.0%
1/1/97	175,804	179,135	3,651	98.0%	50,563	7.2%
1/1/96	158,403	160,266	1,863	98.8%	49,193	3.8%
1/1/95	134,981	137,794	2,813	98.0%	44,496	6.3%

Analysis of the dollar amounts of actuarial value of assets, AAL and UAAL, in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the AAL provides one indication of the Plan's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Public Employee Retirement System (PERS). Trends in

I. Pension Costs, continued

assets in excess of AAL and annual covered payroll are both affected by inflation. Expressing the assets in excess of AAL as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient assets to pay benefits when due.

Schedule of Employer Contributions
(In thousands)

Calendar year ended December 31	Annual required employer contributions (ARC)	Employer contributions as a percent of ARC
2000	$ -	0%
1999	-	0%
1998	1,233	124%

The Plan's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Plan investments are valued according to accounting policies adopted by the Trustee. Common stocks traded on national exchanges are valued at the last reported sales price. U.S. Government and corporate bonds are stated at cost adjusted, as applicable, for unamortized discounts and premiums, which approximates market value. The Plan's investments in venture capital limited partnerships are accounted for using the cost method.

Certain operating expenses incurred by the Plan are funded by the Authority through additional employer contributions. Investment management fees, consulting fees and custodial fees for the Plan are reflected as deductions to investment income.

J. Contingent Liabilities and Commitments

Contractual Obligations for Construction
Contractural obligations for construction were approximately $487,133,000 at June 30, 2001.

Credit Enhancement Agreement
During fiscal 1991, the Authority entered into a Credit Enhancement Agreement in connection with an unrelated partnership's bond issuance. The bonds, known as the Authority's Special Facilities Revenue Bonds (Harborside Hyatt Conference Center and Hotel Project), Series 1990, were issued to provide financing to the partnership for construction, which was completed in fiscal 1993,of a conference center and hotel located at Logan Airport. On March 1, 2001, the Authority issued its Special Facilities Revenue Refunding Bonds (Harborside Hyatt Conference Center and Hotel Project), Series 2001-A (Tax-Exempt) and 2001-B (Taxable) (collectively, the "Hyatt Refunding Bonds"), a portion of the proceeds of which were applied to refund all of the outstanding Authority's Special Facilities Revenue Bonds (Harborside Hyatt Conference Center and Hotel Project), Series 1990. Upon the issuance of the Hyatt Refunding Bonds, the Credit Enhancement Agreement was terminated and the Authority received a $1.5 million credit enhancement fee. The Hyatt Refunding Bonds are special, limited obligations of the Authority, and are payable from and secured solely by certain revenues to be received by a separate trustee pursuant to a lease agreement between the Authority and the tenant of the Hyatt Conference Center and Hotel and a guaranty of such tenant.

J. Contingent Liabilities and Commitments, continued

Guarantee and Intercreditor Agreement

During fiscal 2000, the Authority entered into a Guarantee and Intercreditor Agreement (the "Intercreditor Agreement") with the Canadian Imperial Bank of Commerce (the "Bank") in connection with an unrelated limited liability company's bond issuance. The bonds were issued to provide financing to the limited liability company (the "Company") for construction of a multi-tenant seafood processing and distribution center to be located at the North Jetty in the Marine Industrial Park in Boston, Massachusetts on which the Authority has a long-term lease from the City of Boston. The Intercreditor Agreement represents a guarantee by the Authority to pay the Bank up to $10 million in the event the Company does not meet its obligations to pay the guaranteed obligations, as defined. Such guarantee by the Authority is payable solely from available moneys, as defined, in the Improvement and Extension Fund established under the Trust Agreement and cash collateral, if any, provided to the Bank under the Intercreditor Agreement.

Third Harbor Tunnel

The MHD is undertaking a depression of a portion of I-93 in downtown Boston ("Central Artery") and the extension of the eastern terminus of I-90 to the Airport by construction of a new tunnel under Boston Harbor (the "Ted Williams Tunnel"), (collectively, the "CA/T Project").

In March 1999, the Authority, MHD and the Massachusetts Turnpike Authority entered into a Roadway Transfer Agreement that provides for the acquisition by the Authority of certain identified segments of the CA/T Project located at Logan Airport following completion of construction of such segments, in exchange for installment payments by the Authority to the Commonwealth totaling an aggregate of $300 million. On January 29, 2001, the Authority, MHD and the Massachusetts Turnpike Authority entered into a Second Supplement to the Roadway Transfer Agreement which provides for the transfer to the Authority of an additional portion of the Ted Williams Tunnel located within and exclusively serving Logan Airport valued at $65 million, in exchange for a payment to the Commonwealth by the Authority of $65 million, thereby increasing the aggregate commitment to $365 million. Payments totalling $160 million have been made through June 30, 2001. The remaining payments are due in the following amounts on December 31 of each of the following fiscal years: $104 million, $50 million and $51 million, in fiscal years 2003, 2004 and 2005, respectively.

The Authority and MHD entered into a Settlement Agreement dated as of January 15, 1998 (the "CA/T Settlement Agreement") which is intended to resolve all past and certain future land acquisition claims relating to the portions of the Authority's property at the Airport and in South Boston necessary to complete the Ted Williams Tunnel project.

J. Contingent Liabilities and Commitments, continued

Pursuant to the CA/T Settlement Agreement, MHD has made payments to the Authority and certain of its tenants and agreed to provide certain betterments to the Authority. As of June 30, 2001, the Authority has received payments from MHD totaling approximately $27.2 million. In return, the Authority has released MHD from all pending land damage lawsuits and claims relating to the Ted Williams Tunnel project asserted by the Authority against MHD, to assist MHD with relocation of certain Airport tenants, to work diligently to cause certain tenants of the Authority to dismiss pending land damage actions against MHD, and to provide MHD with sufficient rights in land owned by the Authority at the Airport to permit MHD to complete the Ted Williams Tunnel project, as currently designed.

Seaport Bond Bill

The Seaport Bond Bill was enacted on February 14, 1996 and provides authorization for funding by the Commonwealth of $15 million toward the nonfederal share of the cost of completing the Boston Harbor Navigation Improvement Project, including without limitation: the cost of dredging the Authority's deep cargo berths; all costs associated with the preparation of the environmental studies and reports; and the costs related to the design and relocation of the MWRA pipeline in the Chelsea Creek. The Seaport Bond Bill requires the Authority to pay twenty-five percent (25%) for the nonfederally funded costs of the Project. The Authority has already paid or committed approximately $5 million for the nonfederal share of the Project. Private berth owners have paid for the dredging of their individual berths. A second provision of the Seaport Bond Bill would provide a mechanism for funding improvements to the Massachusetts rail transportation network allowing rail shipment of double stack cargo from Allston yards in Boston to points west, which is anticipated to encourage expanded container shipments through the Port of Boston. The Seaport Bond Bill requires that the Authority provide up to fifty percent (50%) of the cost of improvements to the rail line from Framingham to the Allston yard in Boston permitting double stack shipments, at an estimated cost to the Authority of approximately $38 million. Expenditure of funds will not occur until the execution of a Master Agreement, as defined by the statute, between the Commonwealth and the participating railroads.

Worcester Airport

On April 15, 1999, the Authority entered into a Memorandum of Understanding ("M.O.U.") among the City of Worcester, Massachusetts and the Worcester Airport Commission (the "City Parties"). The M.O.U. contemplates the takeover of the Worcester Regional Airport by the Authority in two separate phases. In compliance with Phase One, on January 15, 2000, the Authority assumed operating responsibility for Worcester Regional Airport pursuant to a separate Operating Agreement. Phase Two, anticipated by the M.O.U. to take place within five years of the date of execution of the Operating Agreement, will involve the transfer of title of Worcester Regional Airport from the City Parties to the Authority. The Authority's goal is to develop a more effective and efficient regional airport network by increasing utilization of Worcester Regional Airport in conjunction with ongoing operation of its other airport facilities.

J. Contingent Liabilities and Commitments, continued

The terms of the Operating Agreement provide for the allocation of the net operating deficits for Worcester Regional Airport as between the Authority and the City of Worcester, with the Authority assuming 45% of those net operating deficits during fiscal year 2001, 75% during fiscal year 2002 and 100% during fiscal years 2003 and 2004. For the years ending June 30, 2001 and 2000, the Authority paid $1,096,000 and $250,000 respectively for the net operating deficits of Worcester Airport, pursuant to the terms of the operating agreement.

K. Payments in Lieu of Taxes

The Enabling Act authorizes and directs the Authority, subject to certain standards and limitations, to enter into agreements (collectively, the "PILOT Agreements") to make annual payments in lieu of taxes to Boston, Chelsea, and Winthrop. In fiscal 1992, the Authority's obligation to Chelsea for annual in-lieu-of-tax payments through 2012 was satisfied by a payment of $5,000,000. In response to increased traffic on the Bridge and the increased impact of the Airport on Chelsea since 1992, however, the Authority and Chelsea amended their PILOT Agreement in fiscal 1999 to provide for annual payments by the Authority to the City of Chelsea of $500,000 for each of the fiscal years 1999 through 2003, inclusive.

In fiscal 1994, the Authority entered into an extension of an amendment to its agreement with Winthrop (the "Winthrop PILOT Agreement") which extended the base in-lieu-of-tax payments through fiscal 1999 and added further components to such payments: a parks/related facilities portion, payable through fiscal 2011, of $150,000, to be adjusted annually based upon the percentage increase in the number of annual air passengers at Logan Airport; and a tree planting portion of $12,500 payable through fiscal 1998 which is now complete. In August 1997, the Authority and Winthrop entered into a further amendment of the Winthrop PILOT Agreement which added another two components to such in lieu of taxes payments: an Ingleside Park/Related Facilities Portion consisting of an annual payment of $383,333, payable each September 1 of fiscal 1998 through fiscal 2000; and an Additional Environmental Portion consisting of an annual payment of $150,000 payable each September 1 from 2001 through fiscal 2005. Neither the Ingleside Park/Related Facilities Portion nor the Additional Environmental Portion are subject to the escalation provisions of the Winthrop PILOT Agreement.

In fiscal 1995, the Authority entered into a comprehensive Amended and Restated Payment-in-Lieu-of-Taxes Agreement with the City of Boston, (the "Boston PILOT Agreement"), with a term commencing on March 14, 1995 and ending June 30, 2005. Pursuant to the Boston PILOT Agreement, the Authority will pay to the City the sum of $10,000,000 annually, which payment will be increased by the annual percentage change in the consumer price index, provided that such increase shall be no less than 3%, nor greater than 7%, per year, less an established credit, per the Boston PILOT agreement. In August 1997, the Authority and certain community groups entered into agreements which provide for additional payments under the Boston PILOT Agreement, for a minimum of $4.8 million and up to $9.6 million, with payments to be made as milestones, associated with modernization of Logan Airport, were reached. These additional payments are not subject to annual adjustments.

The Authority's Enabling Act, the Trust Agreement and the PILOT Agreements provide that annual payments under the PILOT Agreements may not exceed the balance of revenues remaining after deposits to the payment of operating expenses, required deposits to the Interest and Sinking Fund and required deposits to the Maintenance Reserve Fund.

L. Litigation

In April 1991, the Massachusetts Department of Environmental Protection ("DEP") sent the Authority a Notice of Responsibility ("NOR") under M.G.L. c. 21E, Section 5(a), alleging that there have been releases of oil and hazardous materials at Logan Airport and that, as the owner of Logan Airport, the Authority is a “responsible party” liable for the costs of investigating, assessing and remediating soil and groundwater contamination at the Logan Airport site. Following further assessment activities at Logan Airport, DEP issued another NOR dated March 9, 1994, in which DEP concluded that Logan Airport is not a single contaminated site but rather the location of thirty-one (31) separate and discrete contaminated sites. Assessment and remediation of soil and groundwater contamination at the Logan Airport contamination sites identified by DEP is continuing. While the full nature and extent of the contamination and necessary remedial and cleanup measures have yet to be finalized, and therefore cannot be estimated, response costs under c. 21E will be substantial. The Authority, however, has recovered a significant share of its costs of compliance with c. 21E from third parties who are responsible for the contamination and from liability insurance carriers who provided coverage to the Authority. The Authority recovered more than $11 million dollars from third parties and insurers and has obtained substantial commitments from third parties to conduct further c. 21E compliance measures at a number of the Logan Airport contamination sites identified by DEP. The Authority expects to recover any remaining costs of compliance through rates and charges levied upon users of the Airport.

During 1999, contamination was discovered on Massport property located in South Boston. As the owner of the property, the Authority is a "responsible party" under M.G.L. c21E for costs of investigating and remediating the contamination at this site. The Authority received a preliminary estimate of the range of remediation costs for the site. At this time, the full extent of the contamination and necessary remediation measures have not yet been determined; however, the costs could be material to the Authority's results of operations. In addition, the Authority has not yet determined whether and to what extent those costs may be recoverable from other parties responsible for the contamination.

The Authority is also a defendant in a number of legal proceedings arising in the normal course of business. Management, after reviewing with legal counsel all actions and proceedings pending against or involving the Authority, believes that the aggregate liability of loss if any, resulting from the final outcome of those proceedings will not materially affect the Authority’s financial statements.

M. Leases

The Authority leases a major portion of its Aviation and Port Properties to various tenants. Most of these operating leases provide for periodic adjustments to rental rates. In addition, certain of the lease agreements contain provisions for contingent payments based on a specified percentage of the tenant's gross revenue. Rental income from contingent payments received under these provisions was approximately $37,495,400 and $37,181,000 for 2001 and 2000, respectively.

M. Leases, continued

Minimum future rental income, excluding contingent rentals, from noncancelable operating leases as of June 30, 2001 are:

Year	Amount (in thousands)
2002	$ 33,302
2003	31,017
2004	26,145
2005	24,545
2006	34,856
Thereafter	426,492
Total	$ 576,357

The Authority has also entered into operating leases as the lessee. The following is a schedule by years of future minimum rental payments under noncancelable operating leases as of June 30, 2001:

Year	Amount (in thousands)
2002	$ 21,078
2003	20,046
2004	19,197
2005	17,502
2006	8,224
Thereafter	45,074
Total	$ 131,121

Rent expense was $21,713,000 and $20,813,000 for 2001 and 2000, respectively.

N. Interagency Agreement

In May 1996, the Authority entered into an interagency agreement with the MHD and Massachusetts Bay Transportation Authority ("MBTA") for the construction of a Regional Transportation Center ("RTC") in Woburn, Massachusetts (the "Interagency Agreement").

Under the terms of the Interagency Agreement, the Authority has paid one third of the cost of acquiring the site and constructing the RTC, and will share in a like proportion in the profits and losses of the RTC.

N. Interagency Agreement, continued

The RTC opened in May 2001. The Authority's proportionate share of RTC's operating losses for the year ending June 30, 2001 was approximately $22,000. Separate financial statements from the joint venture may be obtained by writing to:

RTC Joint Venture
c/o Massachusetts Port Authority
One Harborside Drive
East Boston, MA 02108
Attn: Christopher Gordon, Director of Capital Programs and Logan Modification

O. Risk Management

The Authority is exposed to various risks of loss related to theft of, damage to and destruction of assets, injuries to third parties and employees. The Authority maintains a risk control effort through a risk transfer program which includes insurance and indemnification in favor of the Authority from third parties. The Authority, as mandated by the Trust Agreement, maintains a Self-Insurance Account within the Operating Fund. As of June 30, 2001 and 2000, the Self-Insurance Account had assets of $29,812,000 and $26,968,000 respectively available to pay future claims. During fiscal years 2001 and 2000, the Authority maintained nine different accounts to finance its self-insured risk which is funded through internal financing. The Authority carries insurance coverage for property, liability and workers compensation with various deductibles and limits and for other exposure to losses. The self insurance accruals are determined by the Risk Management Department based on insurance claim history and actuarial estimates needed to pay prior and current-year claims. The overall accrual was approximately $3,080,000 as of June 30, 2001, and is included as a component of accrued expenses in the accompanying financial statements. Changes in the accrued liability accounts in fiscal year 2001 and 2000 are as follows:

(In Thousands)

Fiscal Year	Beginning Liability	Claims and Changes in Estimates	Claim Payments	Ending Liability
2000	1,715	2,353	(1,366)	2,702
2001	2,702	1,302	(924)	3,080

There were no significant reductions in insurance coverage from the prior year by major category of risk. In addition, insured claims have not exceeded insurance coverage in the past three years.

As part of the risk financing program at the Authority, risk of loss is retained through deductibles or self-insured retentions. These are used in the property, liability and workers' compensation programs, with varying retained amounts ranging from $25,000 to $500,000. These retained risks are funded through the Self Insurance Account.

The most formal programs exist in workers' compensation and third party liability. As a modified self-insurer (both risks involve insurance excess of a substantial self-insured retention), the Authority engages in loss prevention and claims management.

The Authority discharges its obligation to provide workers' compensation coverage, required by Massachusetts General Law, Chapter 152, by obtaining a license as a self insurer from the Division of Industrial Accidents.

O. Risk Management, continued

The property policies are currently constructed to provide loss payments for the repair, replacement or reconstruction of the damaged or destroyed property in compliance with the requirements of the Trust Agreement.

P. Subsequent Event

On September 11, 2001, American Airlines flight 11 and United Airlines Flight 175, both originating from Logan Airport, were hijacked by terrorists. The aircraft flew into and subsequently destroyed the World Trade Center in New York City. There was a significant loss of life and property resulting from these acts. Subsequently, all air traffic in the United States was temporarily suspended, Logan Airport was closed for four days, and under FAA mandates applicable to all airports, new security measures were taken, which required the closing of certain parking facilities at Logan Airport and extending the amount of security and law enforcement personnel. The financial impact of these events could be material to the Authority's financial position and results of operations. However, in light of these circumstances, the Authority has commenced actions to manage both its revenues and expenses in order to meet its financial obligations. In addition, as of the date hereof, no claim has been asserted against the Authority related to the events of September 11, 2001. Nonetheless, it is possible that such claims may be asserted in the future, and the damages claimed may be material to the Authority's financial position and results of operations. The Authority is evaluating its insurance coverage as such coverage may apply to any such claims.

Massachusetts Port Authority
Supplemental Schedule of Combining Balance Sheets
June 30, 2001
(In Thousands)

ASSETS	Authority Operations	PFC Program	Combined
Cash and cash equivalents	$ 36,397	$ -	$ 36,397
Investments	56,857	-	56,857
Accounts receivable, net of allowance for doubtful accounts of $9,559 and $9,996 in 2001 and 2000, respectively	17,515	2,191	19,706
Accounts receivable – grants	6,297	-	6,297
Prepayments and other assets, net	10,268	2,697	12,965
Investment in joint venture	4,923	-	4,923
Intangible assets	46,261	-	46,261
Assets whose use is limited:			
Cash and cash equivalents	37,392	6,408	43,800
Investments	323,750	201,690	525,440
Investment in facilities			
Completed facilities	1,933,620	101,678	2,035,298
Less accumulated depreciation	(913,235)	(15,125)	(928,360)
	1,020,385	86,553	1,106,938
Construction in progress	327,412	237,170	564,582
Net investment in facilities	1,347,797	323,723	1,671,520
Total assets	$ 1,887,457	536,709	$ 2,424,166
LIABILITIES AND EQUITY			
Liabilities:			
Accounts payable and accrued expenses	$ 39,668	$ 13,203	$ 52,871
Accrued compensated absences	15,745	-	15,745
Accrued interest payable	27,696	6,341	34,037
Funded debt	1,024,520	251,283	1,275,803
Deferred income	13,146	7	13,153
Total liabilities	1,120,775	270,834	1,391,609
Contingent liabilities and commitments			
Equity:			
Accumulated fund equity	625,945	265,875	891,820
Contributed capital (grants in aid of construction)	140,737	-	140,737
Total equity	766,682	265,875	1,032,557
Total liabilities and equity	$ 1,887,457	$ 536,709	$ 2,424,166

Massachusetts Port Authority
Supplemental Schedule of Combining Statements of Revenues and Expenses and Changes in Equity
For the Year Ended June 30, 2001
(In Thousands)

	Authority Operations	PFC	Combined
Operating revenues:			
Fees, tolls and other services	$ 188,137	$ -	$ 188,137
Rentals	81,231	-	81,231
Concessions	47,347	-	47,347
Other	10,185	-	10,185
Total operating revenues	326,900	-	326,900
Operating expenses:			
Operations and maintenance	145,797	-	145,797
Administration	57,353	-	57,353
Insurance	2,880	-	2,880
Payments in lieu of taxes	13,093	-	13,093
Provision for uncollectible accounts	14	-	14
Depreciation and amortization	70,342	1,047	71,389
Total operating expenses	289,479	1,047	290,526
Operating income	37,421	(1,047)	36,374
Nonoperating revenues (expenses):			
Passenger facility charges		36,324	36,324
Investment income	23,637	5,345	28,982
Interest expense	(35,729)	(5)	(35,734)
Gain/(loss) on sale of equipment	148	-	148
Other Revenue/Fee	1,516	-	1,516
Total nonoperating revenue	(10,428)	41,664	31,236
Income before capital grant revenue	26,993	40,617	67,610
Capital grant revenue	12,851	-	12,851
Net income	39,844	40,617	80,461
Equity, beginning of year	726,838	225,258	952,096
Equity, end of year	$766,682	$ 265,875	$1,032,557

Statistical

Comprehensive Annual Financial Report

Massachusetts Port Authority

Statistical Section

Historical Operating and Nonoperating Revenues
Fiscal Year Ended June 30 (In Thousands)

S-1 Operating and Nonoperating Revenues

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Operating Revenues										
Fees, tolls and other services	$112,862	$ 117,429	$ 129,605	$ 139,687	$ 141,201	$142,460	$ 158,007	$ 170,839	$182,873	$ 188,137
Rentals	49,409	55,431	58,438	58,335	61,432	61,974	66,840	67,992	75,925	81,231
Concessions	25,511	28,851	28,763	30,794	35,235	38,031	43,654	46,461	46,315	47,347
Other	5,465	17,672	6,597	6,835	9,285	9,444	9,463	10,209	10,714	10,185
Total Operating Revenues	193,247	219,383	223,403	235,651	247,153	251,909	277,964	295,501	315,827	326,900
Nonoperating Revenues										
PFC Revenue	-	-	14,937	31,187	33,159	32,266	33,874	35,327	36,815	36,324
Investment income	14,158	11,487	10,561	14,540	16,033	15,614	18,808	20,931	25,220	28,982
Capital Grant Revenue *	-	-	-	-	-	-	-	-	-	12,851
Other/Gain on sales of assets	-	-	-	-	5	384	577	-	139	1,664
Total nonoperating revenues	14,158	11,487	25,498	45,727	49,197	48,264	53,259	56,258	62,174	79,821
Total Revenues	$207,405	$ 230,870	$ 248,901	$ 281,378	$ 296,350	$300,173	$ 331,223	$ 351,759	$378,001	$ 406,721

* During 2001, the Authority adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions.* GASB Statement No. 33 requires that items of contributed capital be recorded as nonoperating revenue in the statement of revenues, expenses and changes in equity. GASB 33 states that governments should not restate contributed capital arising from periods prior to implementation of this statement.

Massachusetts Port Authority

Statistical Section

Historical Operating and Nonoperating Expenses
Fiscal Year Ended June 30 (In Thousands)

S-2 Operating and Nonoperating Expenses

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Operating Expenses										
Operations and Maintenance	$ 77,328	$ 86,402	$ 99,991	$ 102,293	$ 108,428	$ 108,355	$ 114,197	$ 132,756	$ 135,468	$ 145,797
Administration	36,866	38,264	39,335	44,226	50,969	50,068	49,889	54,457	54,054	57,353
Insurance	4,087	3,748	2,675	2,904	2,756	2,646	2,414	4,234	2,313	2,880
Pension Costs	2,586	2,863	2,415	2,491	2,610	2,070	2,588	1,533	-	-
Payments in lieu of taxes	11,533	6,227	6,237	6,409	10,236	10,526	12,062	13,465	12,031	13,093
Provision for uncollectible accounts	2,392	1,245	(523)	(800)	(514)	577	815	1,255	(100)	14
Depreciation and Amortization *	35,263	39,261	42,908	46,317	48,534	52,179	60,406	65,672	75,706	71,389
Other	-	10,000	-	-	-	-	-	-	-	-
Total Operating Expenses	170,055	188,010	193,038	203,840	223,019	226,421	242,371	273,372	279,472	290,526
Nonoperating Expenses										
Interest Expense	26,604	26,490	31,253	31,736	31,347	31,435	33,701	30,758	34,323	35,734
Loss from sale of equipment	-	-	-	1,137	-	-	-	98	-	-
Termination of interest rate swap	-	-	-	-	-	-	6,087	-	-	-
Loss from defeasance of debt	-	12,424	-	-	-	-	-	-	-	-
Total Nonoperating Expenses	26,604	38,914	31,253	32,873	31,347	31,435	39,788	30,856	34,323	35,734
Total Expenses	$ 196,659	$ 226,924	$ 224,291	$ 236,713	$ 254,366	$ 257,856	$ 282,159	$ 304,228	$ 313,795	$ 326,260

* Prior to FY2000 depreciation and amortization were treated as nonoperating expenses in the Authority's Financial Statements.

Massachusetts Port Authority

Statistical Section

Historical Operating Results and Debt Service Coverage

Fiscal Year Ended June 30 (In Thousands)

S -3 Operating Results and Debt Service Coverage

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Operating Revenue:										
Per Financial Statements	$193,247	$219,383	$223,403	$235,651	$247,153	$251,909	$277,964	$295,501	$315,827	$326,900
Adjustments:										
Provision for uncollectible accounts	(2,392)	(1,245)	523	800	514	(577)	(815)	(1,255)	100	(14)
Other	(357)	(12,439)	(3)	1	-	(88)	-	1	-	-
Operating Revenue:										
Per the 1978 Trust Agreement	190,498	205,699	223,923	236,452	247,667	251,244	277,149	294,247	315,927	326,886
Income on Investments:										
Per Financial Statements	14,158	11,487	10,561	14,540	16,033	15,614	18,808	20,931	25,220	28,982
Adjustments:										
PFC	-	-	(120)	(1,573)	(3,244)	(4,189)	(3,748)	(3,021)	(5,948)	(5,345)
Self Insurance Accounts	(858)	(767)	(458)	(1,002)	(1,140)	(1,213)	(1,322)	(1,375)	(1,524)	(1,660)
Others	-	-	-	-	(1)	-	-	-	-	(5)
Park Ex	-	-	-	-	-	-	-	-	-	(368)
Income on Investments:										
Per the 1978 Trust Agreement	13,300	10,720	9,983	11,965	11,648	10,212	13,738	16,535	17,748	21,604
TOTAL REVENUES										
Per the 1978 Trust Agreement	$203,798	$216,419	$233,906	$248,417	$259,315	$261,456	$290,887	$310,782	333,675	$348,490
Operating Expenses:										
Per Financial Statements	$170,055	$188,010	$193,038	$203,840	$223,019	$226,421	$242,371	$273,372	$279,472	$290,526
Adjustments:										
Insurance	287	650	479	207	500	619	476	(1,676)	141	10
Pension Adjustments	451	479	507	537	569	604	640	-	-	-
Payments in Lieu of Taxes	(11,533)	(6,227)	(6,237)	(6,409)	(10,236)	(10,526)	(12,032)	(13,465)	(12,031)	(13,093)
Provision for uncollectible accounts	(2,392)	(1,245)	523	800	514	(577)	(815)	(1,255)	100	(14)
Depreciation and Amortization	(35,263)	(39,261)	(42,908)	(46,317)	(48,534)	(52,179)	(60,406)	(65,672)	(75,706)	(71,389)
Interest Expenses	(26,604)	(26,490)	-	-	-	-	-	-	-	-
Other Expenses	-	(10,000)	(3,000)	1	(13)	(26)	(531)	(3,288)	(250)	(1,096)
TOTAL EXPENSES										
Per the 1978 Trust Agreement	95,001	105,916	142,402	152,659	165,819	164,336	169,703	188,016	191,726	204,944
Net Revenue:										
Per the 1978 Trust Agreement	**$108,797**	**$110,503**	**$91,504**	**$95,758**	**$93,496**	**$97,120**	**$121,184**	**$122,766**	**$141,949**	**$143,546**
Annual Debt Service (1)	**$42,882**	**$48,331**	**$48,331**	**$48,024**	**$47,054**	**$47,061**	**$46,560**	**$56,956**	**$57,444**	**$64,965**
Annual Debt Service Coverage (1)	1.92	1.74	1.89	1.99	1.99	2.06	2.60	2.16	2.47	2.21

(1) Proceeds of passenger facility charges ("PFCs") are excluded from Revenues because such proceeds have been excluded from Revenues under the 1978 Trust Agreement. As used in the table, "Annual Debt Service" is equal to the "Principal and Interest Requirements" on Bonds, net of Capitalized Interest (other than PFC Revenue Bonds,Commerecial Paper, Subordinated Revenue Bonds and Special Facilities Revenue Bonds) outstanding for the applicable fiscal year.

Insurance Coverage
Fiscal Year Ended June 30, 2001

S-4 Annual Insurance Renewals

TYPE OF COVERAGE	BROKER / UNDERWRITER	PREMIUM
PROPERTY INSURANCE		
All Risk Property Insurance including Boiler and Machinery (1)	Marsh USA, Inc. Industrial Risk Insurers	$441,381
Bridge Property Damage including Business Interruption (2)	Marsh USA, Inc. Cigna	$74,617
Contractor's Equipment	Marsh USA, Inc. St. Paul Fire & Marine	$46,168
Hull Insurance - Fireboat, State Police Patrol Boat (3)	Customhouse Marine Federal Insurance	$9,769
LIABILITY INSURANCE		
Aviation General Liabilty Primary Excess	Sheppard Riley Coughlin ACE Property and Casualty	$400,000
Maritime and Bridge General Liability Primary Excess	Marsh USA, Inc. Hiscox Insurance Company	$122,000
Terminal Operation Stevedore's Liability Primary Excess (4)	Marsh USA, Inc. Hiscox Insurance Company	$183,000
Automobile Liability including Bus Liabilty (5)	Sheppard Riley Coughlin Hanover Insurance	$278,784
OTHER COVERAGES		
Crime, Dishonesty Burglary and Robbery	Marsh USA, Inc. Travelers	$10,876
Secretary-Treasurer's Bond	Marsh USA, Inc. Continental Insurance	$3,075
Customs Bond	Marsh USA, Inc. Continental Insurance	$750

(1) New one year program. The new policy's deductible has increases from $5,000 per occurrence to $75,000 per occurrence. Accordingly, a new self insurance Pool (Pool P) has been established and $150,000 budgeted to fund payments under this deductible amount.
(2) Year three of three year program.
(3) Year two of three year program.
(4) Budgeted in Maritime.
(5) Includes coverage for three buses.

Massachusetts Port Authority

Statistical Section

Logan International Airport
Traffic Statistics
Fiscal Year Ended June 30

S-5 Logan International Airport Statistics - In-Bound and Out-Bound Traffic

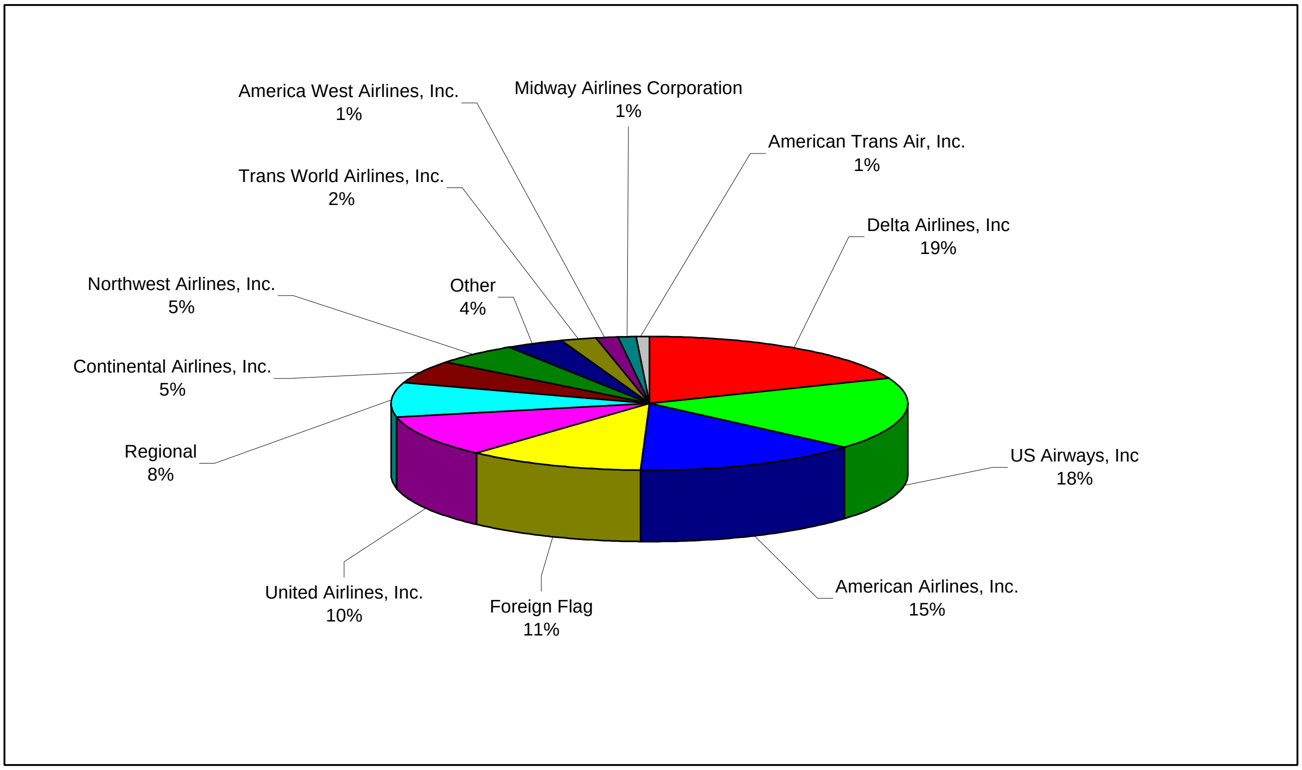
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Aircraft Operations (1)										
Domestic (2)	216,869	217,864	224,023	223,288	216,018	218,630	227,781	237,276	247,979	247,298
International (3)	35,846	39,978	41,661	39,715	39,146	38,053	43,273	47,423	43,414	48,699
Regional (4)	182,631	193,795	194,656	169,727	181,309	179,832	195,178	185,963	162,062 (6)	162,639
General Aviation	24,940	23,916	24,023	24,070	25,085	28,197	30,142	33,918	40,371	31,687
Total Operations	460,286	475,553	484,363	456,800	461,558	464,712	496,374	504,580	493,826 (6)	490,323
Enplaned Plus Deplaned Passengers										
Domestic (2)	16,605,116	17,364,480	18,401,944	18,740,459	19,187,622	19,358,579	19,899,188	20,160,955	21,024,798	20,330,266
International (3)	3,386,027	3,572,837	3,647,797	3,585,776	3,451,642	3,525,634	3,779,240	4,126,619	4,373,281	4,713,137
Regional (4)	1,871,390	2,031,591	2,175,849	1,905,796	2,139,237	2,034,179	2,342,330	2,247,373	2,144,939 (6)	2,118,904
Total Passengers (5)	21,862,533	22,968,908	24,225,590	24,232,031	24,778,501	24,918,392	26,020,758	26,534,947	27,543,018 (6)	27,162,307
Average Passengers Per Flights										
Domestic (2)	76.6	79.7	82.1	83.9	88.8	88.5	87.4	85.0	84.8	82.2
International (3)	94.5	89.4	87.6	90.3	88.2	92.7	87.3	87.0	100.7	96.8
Regional (4)	10.2	10.5	11.2	11.2	11.8	11.3	12.0	12.1	13.2 (6)	13.0

(1) Includes all-cargo flights, but excludes helicopters
(2) Includes jet and charter
(3) Includes jet, charter and international regional
(4) Includes domestic non-jet
(5) General Aviation not included
(6) Restated to account for corrected information provided by a carrier

Massachusetts Port Authority
Statistical Section

Logan International Airport
Total Passenger Traffic Market Share
Fiscal Year Ended June 30, 2001

S-6 Logan International Airport - Fiscal Year 2001 Market Share of Total Passenger Traffic



Massachusetts Port Authority

Statistical Section

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LOGAN INTERNATIONAL AIRPORT
PASSENGER MARKETS

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S-7 Logan International Airport – Passenger Markets

The following table shows the percentage of passengers traveling on U.S. air carrier airlines to or from the Airport and other final domestic destinations for calendar year 2000, as reported by the United States Department of Transportation ("DOT"). International passengers are not included. It also shows the comparative ranking of the top 20 domestic destinations for the same period and for the preceding calendar year.

Calendar 1999 Rank	Calendar 2000 Rank	Market	Calendar 2000 Percentage
1	1	New York, New York / Newark, New Jersey	13.0%
2	2	Washington, DC	6.8
5	3	San Francisco, California	5.4
4	4	Atlanta, Georgia	4.5
3	5	Orlando, Florida	4.3
6	6	Chicago, Illinois	4.2
8	7	Los Angeles, California	4.1
7	8	Philadelphia, Pennsylvania	3.2
9	9	Ft. Lauderdale, Florida	3.1
10	10	Dallas/Ft. Worth, Texas	2.4
11	11	Tampa, Florida	2.4
12	12	Denver, Colorado	2.3
13	13	Minneapolis/St. Paul,	2.1
15	14	Las Vegas, Nevada	1.8
14	15	West Palm Beach, Florida	1.8
16	16	Miami, Florida	1.5
17	17	Ft. Meyers, Florida	1.4
**	18	San Juan, Puerto Rico	1.4
18	19	Baltimore, Maryland	1.4
**	20	Houston, Texas	1.3
		Total for Cities Listed	68.40%

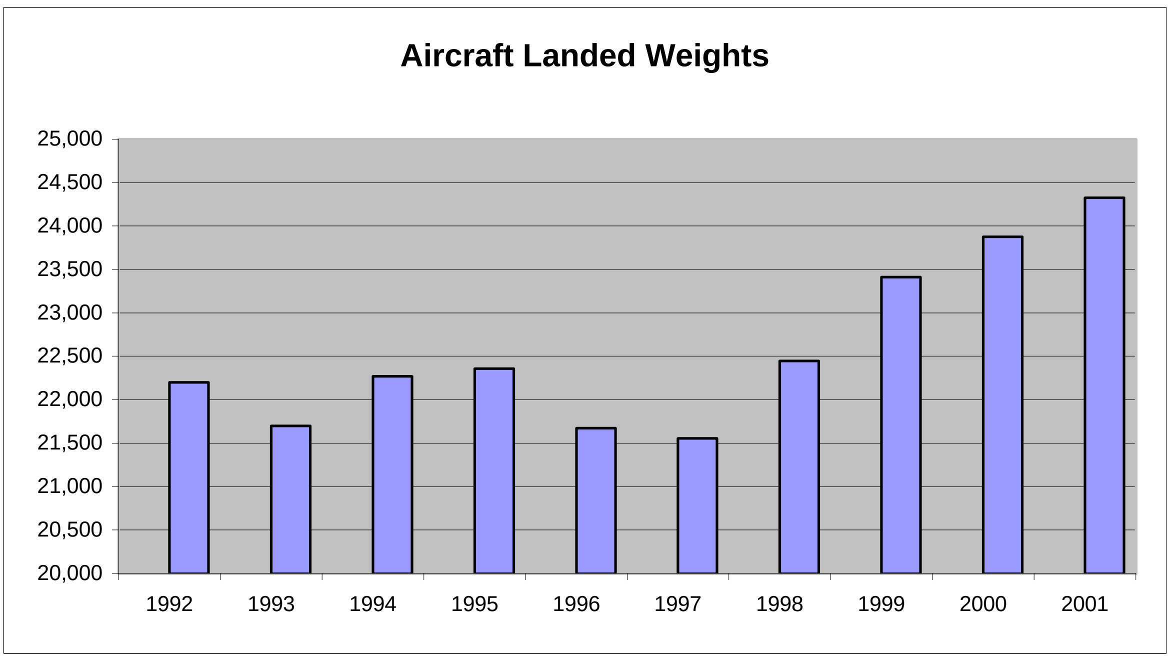
Source: United States Department of Transportation, O&D Survey

**Not listed in top twenty for calendar year 1999.

LOGAN INTERNATIONAL AIRPORT
AIRCRAFT LANDED WEIGHTS
FISCAL YEAR ENDED JUNE 30 (IN MILLIONS)

S-8 Logan International Airport Statistics - Aircraft Landed Weights

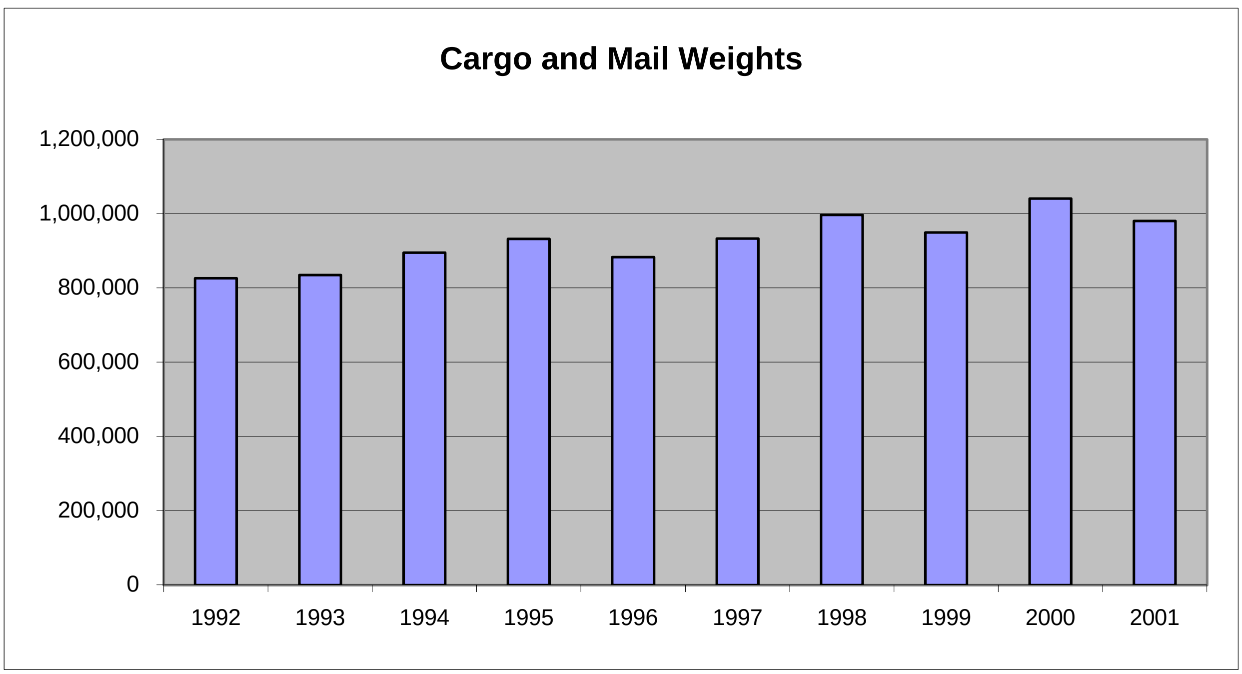
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Aircraft Landed Weights	22,198	21,700	22,270	22,358	21,672	21,554	22,447	23,412	23,878	24,324



LOGAN INTERNATIONAL AIRPORT
CARGO AND MAIL WEIGHTS
FISCAL YEAR ENDED JUNE 30 (IN THOUSANDS)

S-9 Logan International Airport Statistics - Cargo and Mail

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Total Cargo & Mail	825,493	834,075	895,252	932,005	883,001	932,941	996,371	949,338	1,040,877	980,385



Massachusetts Port Authority

Statistical Section

PASSENGER FACILITY CHARGE PROJECT ACTIVITY

Fiscal Year Ended June 30, 2001 (In Thousands)

S-10 Passenger Facility Charge

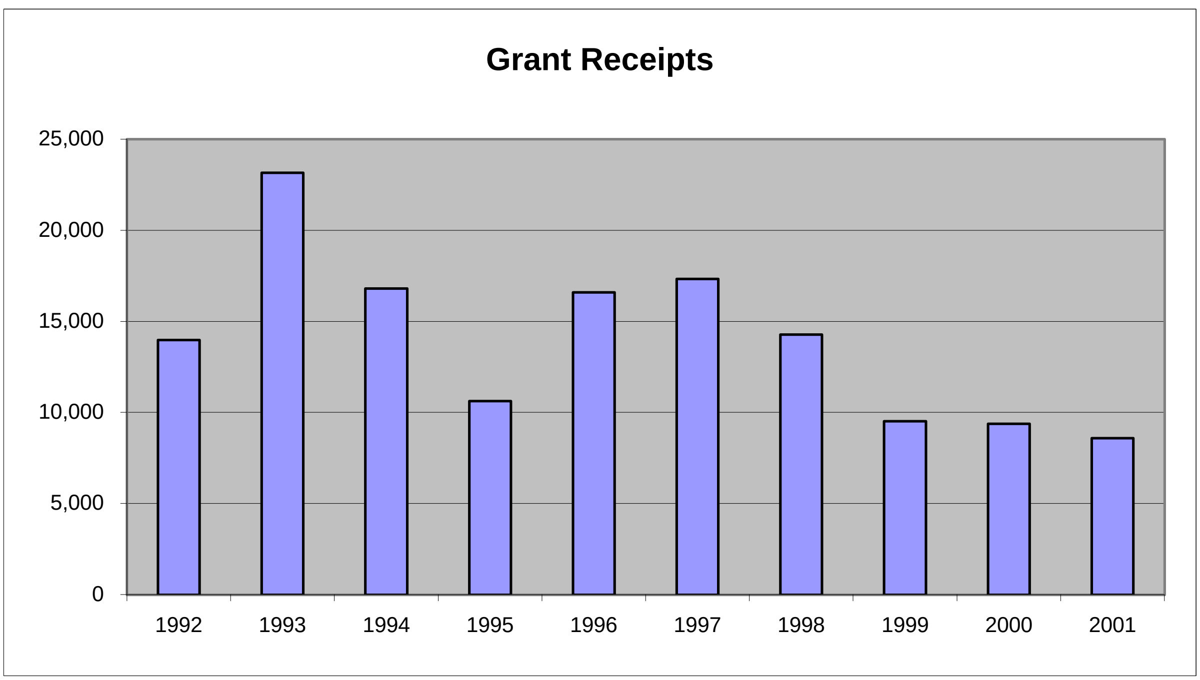
PROJECTS	Charge Effective Date	Approval of Use Date	Cumulative Expenditures to Date	Approval of Use Amount
Project: Residential Sound Insulation (RSIP)	01-Nov-93	27-Jan-97	$15,325	$26,990
Project: Logan Modernization Program (LMP) Planning, Preliminary Design and Environmental Analysis	01-Nov-93	24-Aug-93	9,510	10,346
Project: Terminal E Modernization	01-Nov-93	27-Jan-97	20,892	24,568
Project: Roadway System (Circulation)	01-Nov-93	27-Jan-97	78,334	268,306
Project: International Gateway	01-Nov-93	05-Feb-98	5,959	434,106
Project: Elevator Walkways	01-Jan-01	27-Jan-97	90,210	163,037
			$220,230	$927,353

Massachusetts Port Authority
Statistical Section

AIRPORT IMPROVEMENT PROGRAM (AIP) GRANT RECEIPTS
Fiscal Year Ended June 30 (In Thousands)

S-11 Grant Receipts History

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Fiscal Year Receipts	$13,969	$23,154	$16,809	$10,618	$16,599	$17,329	$14,277	$9,520	$9,370	$8,588



Certain expenditures for airport capital improvements and residential soundproofing are significantly funded through the Airport Improvement Program (AIP) of the Federal Aviation Administration (FAA).

PORT OF BOSTON
Fiscal Year Ended June 30

S-12 Cargo and Passenger Activity

Port Activity	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Containers (1)	71,830	75,395	86,114	90,921	73,083	72,291	78,737	83,544	83,407	74,901
Cruise Passengers	18,300	31,403	22,930	79,520	69,075	69,905	109,708	115,625	156,769	186,070
Automobiles (2)	79,866	62,486	32,304	21,971	36,010	62,282	72,333	74,060	87,973	90,348
Bulk Tonnage	190,452	198,491	184,963	243,147	355,042	205,621	248,204	217,103	168,600	144,056

(1) Does not include over-the-road volumes.
(2) Includes vehicles entered by over-the-road means through September 1998: does not include vehicles entered by over-the-road means after September 1998.

PORT OF BOSTON
Fiscal Year Ended June 30, 2001

S-13 Principal Customers

Major Shipping Lines	Other Shipping Lines	Cruise Lines	Large Custom Brokers
Columbia Coastal	Alianca	Carnival Cruise Line	Peabody & Lane
Hapag Lloyd	Atlantic Container	Clipper Cruise Line	Tower Group
Mediteranean Shipping	American Pres. Line	Crystal Cruises	CH Powell
SPM Container	China Ocean Shipping	Cunard Line	Circle
	Columbus Line	Delphin Seereisen	Moran Shipping
	Evergreen America	Golden Sun Cruises	Kuehne & Nagel
	Hanjin	Holland America Line	AEI-Radix
	Hoegh	Norwegian Cruise Line	
	Hyundai	P & O Cruises	
	Italian Lines	Phoenix Reisen	
	Mitsui Osk Line	Princess Cruises	
	NYK Line	Royal Caribbean Cruise Line	
	Yang Ming Line	Seabourn Cruise Line	
	Volkswagon	Silversea Cruises	
	ZIM Container		

TOBIN MEMORIAL BRIDGE
Fiscal Year Ended June 30

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S-14 Bridge Statistics (In-Bound)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Resident: Vehicles with Sticker *	3,608,295	3,268,838	2,938,818	2,796,181	1,386,017	165,360	348,192	388,825	395,526	388,815
Class 1 Passenger *	6,424,913	6,270,670	6,648,313	8,903,972	10,300,122	11,762,019	10,468,960	9,888,389	10,025,617	10,898,566
Total Passenger Vehicles	10,033,208	9,539,508	9,587,131	11,700,153	11,686,139	11,927,379	10,817,152	10,277,214	10,421,143	11,287,381
Class 2 - 6 Commercial **	1,161,436	1,128,817	1,167,641	473,785	380,809	357,179	782,599	675,747	821,852	990,900
Total Paying Vehicles	11,194,644	10,668,325	10,754,772	12,173,938	12,066,948	12,284,558	11,599,751	10,952,961	11,242,995	12,278,281
MBTA (Massachusrtts Bay Transportation Authority)	46,518	43,347	48,502	62,863	55,957	49,753	56,567	62,239	67,471	68,358
Non-Revenue	50,536	49,843	53,710	56,655	70,243	73,531	64,478	53,239	41,425	43,264
Total Non-Paying Vehicles	97,054	93,190	102,212	119,518	126,200	123,284	121,045	115,478	108,896	111,622
TOTAL VEHICLES	11,291,698	10,761,515	10,856,984	12,293,456	12,193,148	12,407,842	11,720,796	11,068,439	11,351,891	12,389,903

* Prior to January 1996 all motorists having passenger vehicles could purchase a Bridge sticker and pay a discounted toll. This program was discontinued and only residents of Charlestown and Chelsea , who qualified, were allowed a discounted toll.

** Beginning in Fiscal Year 1995 commercial vehicles hauling hazardous materials were no longer allowed to use the Bridge.